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ABSTRACT

The final and fourth volume in a collection of papers on poverty issues, this document deals with studies of poverty and social welfare programs in five Western European countries, Canada, and Japan. Eight sections constitute the document: some cross-national characteristics of poverty; poverty and antipoverty in Britain (characteristics of poverty, government policies and programs); poverty in Canada (characteristics of poverty, government policies and programs, the future); social insurance programs in Germany (overview, social budget, financing, programs, foreign workers, poverty); social welfare in France (social security, legal minimum wage, unemployment and employment policy, old age insurance, pensions, family allowances, medical allowances); Japan (pension insurance programs, family allowance, children, aged, education, housing, and others); social welfare program of the Netherlands (unemployment, wage differences, social insurance, sheltered workshops, and others); and social welfare programs in Sweden (social welfare budget, social insurance programs, health, social assistance, and others). (Author/AM)

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Collected Papers on Poverty Issues

DORIS YOKELSON, editor

Volume IV:
International Poverty and Social Welfare Policies: A Study of Seven Countries

PETER KARSTEN, editor

chapters by
ESTHER ADAM
ANDREW CARANFIL
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PETER KARSTEN
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COLLECTED PAPERS ON POVERTY ISSUES

Edited by
Doris Yokelson

VOLUME IV:

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PREFACE TO COLLECTED PAPERS ON POVERTY ISSUES

Collected here, in four volumes, are numerous drafts, papers and reports that were written during the two years from June 1973 to June 1975 by the professional staff and consultants of the Hudson Institute working under a grant from the Office of Economic Opportunity. At the time the papers were written, the idea of putting together this anthology had not yet been born; nor were the authors writing with any particular attempt to relate each paper to the other by any consistent point of view, outcome, or style of writing. This approach is basic to the work of the Hudson Institute; and it was conceived to give rise to a freer and more creative expression of variations in thought about extremely complex issues. This collection retains this characteristic: no attempt was made to edit it into a tight uniformity or to change the individual approach.

Many of the papers are in the form in which they originally appeared as Hudson Institute drafts; others were revised, condensed, updated or extracted from longer reports. Some important subject areas, such as education, are not included in this anthology, as the reports are to be issued separately.

It is hoped that this collection will prove useful to anyone who is approaching the question of poverty either as a novice or as one who has grappled with its problems for many years. Volume I considers American poverty problems and policies of the past, present and future; the philosophical and historical perceptions of poverty, income and income redistribution; the measurement and reduction of poverty; and the workability of some income redistribution programs. Volume II views aspects of low income in America: chapters include the areas of income and employment, the work force, housing, health, crime, food stamps, energy and economic development programs. An examination of public attitudes toward poverty and the characteristics of the poor and near-poor makes up the entire Volume III. The sections of this volume cover both the extent and depth of the American public's support for domestic social welfare programs and the social, moral and economic attitudes of the poor and near-poor. The International volume, Volume IV, which contains chapter studies of poverty and social welfare programs in five West European countries, Canada and Japan, was conceived as an instrument for broadening our own perceptions, here at the Institute, of worldwide problems and solutions; and it is being passed on to you with the same intention. As with all the chapters in this collection, no solutions have been offered; but many problems have been raised, issues sorted out and elucidated, often in new ways, and recommendations suggested.

Except for the opening chapter and the section on France, all the chapters in this International volume were originally issued as separate reports under the same titles. In particular, the chapter on West Germany is a greatly abbreviated version of the original report.

Doris Yokelson

TABLE OF CONTENTS

VOLUME IV:
INTERNATIONAL POVERTY AND SOCIAL WELFARE POLICIES: A STUDY OF SEVEN COUNTRIES

Page

I. SOME CROSS-NATIONAL CHARACTERISTICS OF POVERTY by Peter Karsten 1

II. POVERTY AND ANTI-POVERTY IN BRITAIN by Peter Karsten

A. Characteristics of Poverty 17
B. Government Policies and Programs 41

III. POVERTY IN CANADA by Peter Karsten

A. Characteristics of Canadian Poverty 73
B. Characteristics of Government Policies and Programs . . . 83
C. The Future 88

IV. SOCIAL INSURANCE PROGRAMS IN THE FEDERAL REPUBLIC OF GERMANY by Doris Yokelson

A. An Historical Overview 93
B. The Social Budget 98
C. Financing the Programs 105
D. The Programs 108
E. The Question of Poverty 145
F. Foreign Workers 150

V. SOCIAL WELFARE IN FRANCE by Andrew Caranfil

A. Introduction 157
B. The Ideology of French Social Security 161
C. SMIC - The Legal Minimum Wage 164
D. Unemployment and Employment Policy. 169
E. Old Age Insurance 171
F. Complementary Pensions 175
G. Social Aid for the Poor 179
H. Family Allowances 183
I. Medical Insurance 190
J. Appendix 197

Page

VI. JAPAN
by Marylin Chou

A. General Information 203
B. Pension Insurance Programs 207
C. Health Insurance Issues 213
D. Family Allowance 216
E. Public Assistance Program 217
F. Children 223
G. Aged 225
H. The Physically Handicapped 227
I. Volunteer Workers in Welfare Services 228
J. Education 228
K. Housing 229

VII. THE SOCIAL WELFARE PROGRAM OF THE NETHERLANDS
by Marylin Chou

A. Defining the Poverty Line 231
B. Unemployment 231
C. Wage Differences 233
D. The Cost of Social Security 234
E. Social Insurance 238
F. Programs Covering the Entire Nation 241
G. Sheltered Workshops 251
H. Social Service 252
I. Development Work Among Minority Groups 257
J. Education 257
K. Contextual Data 258

VIII. SOCIAL WELFARE PROGRAMS IN SWEDEN
by Esther Adam

A. National Product 261
B. Social Welfare Budget 261
C. A Measurement of Poverty 263
D. Social Insurance Programs 265
E. Children's Allowances 273
F. Health 276
G. Social Assistance 279
H. Employment and Unemployment in the Labor Market 281
I. Housing 286
J. Education--Some Basic Facts 287
K. Contextual Data 288
L. Addendum 290

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Chapter I

SOME CROSS-NATIONAL CHARACTERISTICS OF POVERTY

By
Peter Karsten

SOME CROSS-NATIONAL CHARACTERISTICS OF POVERTY

The business of cross-national comparisons is a tricky one, given the number of historical, cultural and political variables that must be controlled before one is to arrive at truly comparable data. Irving Welfeld has given us a valuable comparative analysis of the European experience with housing allowances,* to which study we refer the reader interested in that dimension of social welfare. Another effective, and consequently useful, effort to sort some of these variables out for the social welfare programs of other nations is that of Joseph Pechman, Henry Aaron, and Michael Taussig, Social Security: Perspectives for Reform (Brookings, 1968), 48-52, 273-304, which establishes, among other things, that the degree of completeness of social security program coverage and the level of benefits and costs of such programs are strongly related to the age of the programs. But these studies were limited to a formal comparison of the types of government housing and social security programs. They tell us little of the conditions of poverty in other developed countries or the relative effectiveness of the housing or social security programs, and they do not help us to know the degree to which American poverty, and American anti-poverty programs, are unique, and the degree to which they are similar to those of other non-communist developed[*] nations. Other scholars, among them Stephen Pflanczer, Gaston Rimlinger and Phillips Cutright, have made useful comparisons of European and American social welfare programs. These scholars maintain that "the existence of extensive social security programs with broad similarities among virtually all of the European nations clearly reflects the supranational, transcultural force of urbanization and industrialization...Neither the creation nor the continued operation of Europe's welfare programs can satisfactorily be explained by the basic ideological orientation and political character of the regimes which continue to support and develop them....The actual operation and development of these systems is ultimately guided by the requirements of effective social organization and national needs."[**]

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*Summarized nicely in HUD, Office of Policy Research, First Annual Report of the Experimental Housing Allowance Program (May, 1973), appendix A, pp. 36-47.

Such observations appear to us quite reasonable. But, as Stephen Pflanczer puts it, the data presently do not allow for very fruitful comparisons, for the confident drawing of "lessons":*

---

[*] We have limited ourselves to non-communist developed nations quite deliberately. In the first place, we felt that it was unlikely that analysis of communist developed nations (such as East Germany, Czechoslovakia or the U.S.S.R.) would yield any "lessons" that might prove politically transferable to the U.S. In the second place, given the rather obvious importance of a developed economy to the amount of and malleability of poverty in a given state, and given the developed condition of the U.S. economy, it seemed less than useful to compare conditions and programs in the U.S. to any but the more developed of nations.

[**] Pflanczer, "Poverty, Urban Policy, and the Mature Welfare States of Europe," in Warner Bloomberg and Henry Schmandt, eds., Power, Poverty, and Urban Policy (1968), 480, 485; Rimlinger, "Social Security, Incentives and Controls in the U.S. and U.S.S.R.," and Cutright, "Political Structure, Economic Development, and National Social Security Programs," both in Mayer Zald, ed., Social Welfare Institutions (1965), 102-140.

> What might the United States learn relevant to its own "war on poverty" from the policies aimed at the urban poor by the mature welfare states of Europe? One is tempted to answer: very little unless and until we accomplish the research which would make meaningful, systematic, and thus fruitful comparisons possible. Most so-called "comparisons" available to American policy-makers have in fact focused on a few current programs or provisions in one or another European country, and these are taken as "examples" of what we could or should be doing in the United States. Yet it is quite clear that European social policies are the result of complex historical experiences, political and social value preferences, and improvisations to deal with immediately pressing problems of national scope.

The characteristic common (to one degree or another) to all seven nations which I regard as the most interesting subject of comparison with its counterpart in the U.S. is the multi-cultural, multi-racial, often multi-national nature of the respective populations. To understand poverty, and anti-poverty programs, in the U.S. we must (among other things) understand the values, skill levels, educational levels, and health of rural Americans (black and white), Puerto Rican Americans, Chicanos, Indians, and other ethnic groups. We must do the same for Japan, Canada, Britain, France, West Germany, the Netherlands, Sweden, indeed, even for Norway, Israel, and Switzerland.

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*Op cit., 483-484, Cf. Hagith Shlonsky, Welfare in Israel: A Comparative Perspective, (University of Chicago School of Social Service Administration Center for the Study of Welfare Policy, November 1971), p. 56.

Japan has 500,000 Koreans working and living within its borders; it also has over a million and a half Burakumin, Japanese who have traditionally performed lowly, degrading, defiling tasks and who have long constituted a segregated, disdained lower caste.* These two groups, constituting some 2 percent of the present population of Japan, are disproportionately agrarian in origin, disproportionately represented in the unskilled work force, have poor health, poor housing, a weak sense of urban family or community responsibility, and are overrepresented in the welfare population. Their children have lower IQs and grade point averages, poorer school attendance records, higher delinquency records and higher recidivism rates than other Japanese children. (See tables.)

FARMERS' INCOMES, 1930

	Buraku	Non-Buraku
Income from farming	151 yen (49.7%)	499 yen (68.6%)
Income from other sources	153 yen (50.3%)	226 yen (31.4%)
Totals	304 yen (100.0%)	727 yen (100.0%)

Source: DeVos and Wagatsuma, 123.

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*George DeVos and Hiroshi Wagatsuma, Japan's Invisible Race, (Berkeley, 1968), passim.

PROPORTION OF BURAKUMIN ON RELIEF IN SEVEN PREFECTURES, 1955
(In Percent)

Prefecture	Estimated Proportion of Burakumin Registered for Relief Work	Estimated Proportion of Burakumin in Total Population of Prefecture
Kagawa-ken	30	0.1
Kochi-ken	70	5.9
Hyogo-ken (including Kobe)	45	5.7
Osaka-fu (including Osaka)	35	2.1
Kyoto-shi (including Kyoto)	60	2.7
Nara-ken (including Nara)	85	6.9
Mie-ken	70	3.5

Source: DeVos and Wagatsuma, 126.

REASONS GIVEN FOR ABSENCE BY STUDENTS IN A JUNIOR HIGH SCHOOL IN NARA PREFECTURE, 1960

Reasons	Non-Buraku Students (N = 148)	Buraku Students (N = 297)
Poverty	1	32
Work for family	0	11
Lack of parental understanding	0	9
Laziness	0	24
Physical disability	1	0
Total absent	2	76

Source: DeVos and Wagatsuma, 126

COMPARISON OF GRADE POINT AVERAGES OBTAINED IN FUKUCHIYAMA CITY, 1963

		N	Grade Point Average
Primary school	Buraku boys	12	2.29
	Buraku girls	10	2.59
	Non-Buraku boys	10	3.29
	Non-Buraku girls	15	3.16
Junior high	Buraku students	8	2.2
	Non-Buraku students	11	3.3

Source: DeVos and Wagatsuma, 126

COMPARISON OF BURAKU AND MAJORITY GROUP CHILDREN ON THE TANAKA-BINET TEST IN A CITY NEAR OSAKA

(In Percent)

IQ	Non-Buraku Children (N = 274)	Buraku Children (N = 77)
Above 125	23.3	2.6
124-109	31.8	19.5
108- 93	23.3	22.1
92- 77	11.7	18.2
Below 76	9.9	37.6

Source: DeVos and Wagatsuma, 126.

COMPARISON OF DELINQUENCY RATES AMONG SCHOOL DISTRICTS WITH BURAKU POPULATIONS, 1963

Name of District	Delinquency Rate	Relief Rate
Rakushi (Takagamine)	23.06	95.2
Tanaka	23.02	70.0
Sanjo	19.51	63.4
Sanjo	14.30	50.1
Sujin (Uchihama)	35.54	24.7
Kisshoin	16.70	40.5
Uzumasa (Saiir)	11.32	33.7
Mibu	22.45	24.7
Takeda	28.03	70.0
Average	21.51	74.8
Entire Kyoto average	9.48	37.1

Source: DeVos and Wagatsuma, 265.

ESTIMATED RATE OF DELINQUENCY IN MINORITY GROUP YOUTH IN KOBE, 1963

	Number of Cases	Total Population	Rate per 10,000
Those residing in majority areas	493	1,098,546	4.49
Those residing in ghettoed Buraku areas	71	47,023	15.10
Korean registrants	63	22,365	28.17
Other non-Japanese	6	10,468	5.73

Source: DeVos and Wagatsuma, 266.

Burakumin in particular are discriminated against, and many have low regard for themselves. They are thus comparable in many ways to many members of minority groups in the U.S., a point DeVos and Wagatsuma make forcefully in their study of "Japan's Invisible Race."

Blacks living in Canada, native (Indian, Eskimo) Canadians, and, to a degree, French Canadians are also disproportionately rural in origin, overrepresented in unskilled trades, slums, and in the poverty population, with health, educational and delinquency characteristics similar to those of the Burakumin, American blacks, Chicanos, Puerto Ricans and American Indians. (See chapter on Poverty in Canada.)

The same may be said of Irish, Pakistani, Indian, and West Indian residents of Britain; Algerians, Morrocans, Spanish, Portugese and Italians in France; Yugoslavs, Greeks, Turks and Italians in West Germany; and, to a degree, Dutch West Indians, Indonesians, and Surinamese in the Netherlands; Italians in Switzerland; Laplanders in Norway; Finns in Sweden; and Afro-Asians in Israel.* Throughout Western Europe immigrant workers hold down disproportionately the undesirable jobs requiring little or no skills. (See tables) They constitute 7.9 percent of the total work force in West Germany, but comprise 40 percent of the unskilled, 10 percent of the semi-skilled, and only 3 percent of the skilled work force of that country. Some

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*See Stephen Castles and Godula Kosack, Immigrant Workers and Class Structure in Western Europe (Oxford, 1973); Nicholas Deakin, ed., Immigrants in Europe (London, 1972); R. Descloitres, The Foreign Worker (OECD, Paris, 1967); Shlonsky, op cit.; and chapter on Norway by Vilhelm Aubert, "Rural Poverty and Community Isolation," in Peter Townsend, ed., The Concept of Poverty (L., 1970), 236ff.

94 percent of the garbagemen in Munich are immigrants.* They hold jobs in the less desired construction, public works, textiles, and domestic service sectors in Switzerland and France, while native-born workers are concentrated in the higher wage skilled trades of clock-making, chemicals, and graphics.** They are overrepresented in the ranks of the unemployed. Thus 40 percent of all West African and 18 percent of all Algerian workers in France were counted as unemployed in 1969, while the rate for French nationals was 1.5 percent.*** And they are underrepresented in (and very ambivalently represented by) the labor unions of the developed European nations**** who on the one hand would like to keep immigration down, while on the other hand they would like to organize those immigrant workers that are already in the country.

SOCIO-ECONOMIC STATUS OF FOREIGN AND SWISS EMPLOYEES, 1960
(In Percent)

Socio-Economic Status	Foreign Employees	Swiss Employees
Non-Manual	15.0	52.0
Skilled manual	25.0	18.5
Semi-skilled manual	37.0	22.5
Unskilled manual	23.0	7.0
Total	100	100

Source: P. Granjeat, *Les migrations de travailleurs en Europe* (Paris, Institut International des Etudes Sociales, 1966), p. 82.

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*Roger Bohning, "Problems of Immigrant Workers in West Germany," in N. Deakin, *op cit*. Foreign-born unskilled and semi-skilled workers are overrepresented (when compared to native-born) in the French work force by factors of 4 and 3 respectively. (Deakin, 11).

**Deakin, 11: Castles and Kosack, 70.

***Deakin, 25; Castles and Kosack, 87, 90.

****Deakin, 25.

FOREIGN AND TOTAL LABOUR FORCE IN SWISS MANUFACTURING INDUSTRIES, 1966

	All Employees Thousands	Foreign Employees Thousands	Foreigners as Percantage of Total
Food and fodder	32.7	13.5	41.2
Textiles	59.5	31.3	52.6
Clothing, shoes, linen	61.8	38.1	63.2
Wood and cork	34.9	13.4	38.3
Paper	18.8	6.9	37.0
Graphical trade	37.9	9.0	23.8
Rubber and plastics	9.8	4.4	44.9
Chemicals	36.5	7.8	21 5
Stone and earth processing	24.9	12.9	51.7
Metal industry	91.7	39.3	42.8
Engineering	188.0	70.3	37.4
Clock industry	61.9	14.9	24.1
All manufacturing	678.1	270.2	39.8

Note: Some small industries have been omitted. Figures on foreign employees include establishment permit holders.

Source: Statistisches Fahrbuch der Schweiz 1967, pp. 140-1.

SOCIO-ECONOMIC STATUS OF MANUAL WORKERS IN SELECTED GERMAN INDUSTRIES BY SEX, 1968

(In Percent)

Socio-Economic Status	Iron and Steel Production		Vehicles		Electrical Goods		Chemicals		Textiles		Building	
	FE	AE	FE	AE	FE	AE	FE	AE	FE	AE	FE	AE
MEN												
Skilled	-	36	17	58	19	54	-	8	15	44	35	59
Semi-skilled	38	47	55	36	51	35	49	53	55	46	25	24
Unskilled	59	17	28	6	30	11	41	39	30	10	40	17
WOMEN												
Skilled					-	1	-	1	-	9		
Semi-skilled					46	34	-	39	60	65		
Unskilled					52	65	62	60	36	26		

Note: FE = foreign employees; AE = all employees.

Source: Auslandische Arbeitnehmer 1969, Reprasentativuntersuchung, Herbst 1968.

PERCENTAGE SOCIO-ECONOMIC DISTRIBUTION AND SOCIAL CLASS OF SELECTED BIRTHPLACE GROUPS IN GREAT BRITAIN, 1966

	All Countries	Irish Republic	Common-wealth	Jamaica	Rest of Caribbean	India	Pakistan	Cyprus	Foreign Countries	Poland	Germany	Italy
MEN Number in Employment (Thousands) Socio-Economic Groups	15,574	282	380	65	47	104	50	22	309	69	28	40
1. Professional workers	4.5	3.2	6.8	0.6	2.1	10.4	3.3	2.7	7.8	5.1	10.5	1.3
2. Employees and managers	10.7	5.2	6.0	0.5	1.4	6.8	2.4	13.3	12.3	7.8	20.6	8.4
3. Non-manual	17.1	11.3	13.7	2.9	9.5	18.6	5.6	6.5	12.4	8.6	14.4	5.0
4. Skilled manual and foremen	39.4	36.5	30.8	43.4	38.2	27.5	21.9	38.3	28.5	40.6	29.7	28.8
5. Semi-skilled manual	17.9	21.5	24.7	26.5	27.6	22.4	34.5	31.4	24.1	26.2	18.2	42.6
6. Unskilled manual	8.3	20.3	15.2	23.8	18.3	11.2	30.6	6.4	4.8	10.9	4.1	12.7
7. Armed forces and inadequately described	2.0	1.9	2.8	2.2	2.7	3.1	1.7	1.5	7.2	0.8	2.6	1.1
Non-manual	32.3	19.7	26.5	4.0	13.0	35.8	11.3	22.5	32.5	21.5	45.5	14.7
Manual	65.6	78.3	70.7	93.7	84.1	61.1	87.0	76.1	60.4	77.7	52.0	84.1
Others	2.0	1.9	2.8	2.2	2.7	3.1	1.7	1.5	7.2	0.8	2.6	1.1
WOMEN Number in Employment (Thousands) Socio-Economic Groups	8,595	172	166	40	30	35	2.6	8.9	182	16	36	26
1. Professional workers	0.8	2.0	1.5	0.1	0.2	2.7	5.4	0.4	2.3	2.1	10.5	0.8
2. Employers and managers	4.1	3.6	2.6	0.4	0.5	4.6	3.5	3.2	5.5	5.9	6.7	3.3
3. Non-manual	47.0	40.2	45.6	24.2	39.9	60.3	54.6	12.3	37.9	23.8	45.0	15.3
4. Skilled manual and foremen	10.4	6.5	8.8	11.5	7.9	6.5	8.5	23.7	11.1	22.0	9.0	15.1
5. Semi-skilled manual	29.1	37.2	35.1	54.3	42.5	21.2	23.1	56.3	37.6	39.3	31.9	56.4
6. Unskilled manual	7.6	9.9	5.5	8.1	8.0	3.7	4.6	2.3	4.8	5.9	4.3	8.2
7. Armed forces and inadequately described	1.1	0,7	1.0	1.4	1.0	0.9	0.4	1.7	0.8	1.0	0.5	1.0
Non-manual	51.9	45.8	49.7	24.7	40.6	67.6	63.5	15.9	45.7	31.8	54.3	19.4
Manual	47.1	53.6	49.4	73.9	58.4	31.4	36.2	82.3	53.5	67.2	45.2	79.7
Others	1.1	0.7	1.0	1.4	1.0	0.9	0.4	1.7	0.8	1.0	0.5	1.0

Source: Castles and Kosack, pp. 85-6.

The stress of urban industrial life, often without one's loved ones, in an unfamiliar land among an unfamiliar people is considerable for many immigrant workers; they are overrepresented among cases of mental and physical illness. Unfamiliar with industrial machinery, and concentrated in industries with fewer safety features and devices, they suffer twice the industrial accident rate of native workers in West Germany, three times the native rate in Britain, and five times the native rate in France. Generally without political or economic power, they are less successful than native workers in organizing themselves in labor disputes. And since the immigrant populations are disproportionately young and male, they (like the Koreans in Japan) display proportionately higher rates of violent crime than the native population.*

Immigrant workers and those families that accompany them are disproportionately to be found in substandard housing. This is partly of their own volition; single males and husbands unaccompanied by their wives and children often prefer to save money by living in inexpensive, crowded, and sometimes unsanitary boarding houses, as Doris Yokelson notes in her chapter on West Germany. But it is also true that many immigrants who want to live in better quarters are unable to find such accomodations because of discrimination. In Britain, for example, British West Indians, Pakistanis and other "colored" immigrants are underrepresented in public housing (which in Britain is highly desired by lower and lower-middle class families) by a factor of five.**

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*Castles and Kosack, 126-127, 335-341, 479.

**Ibid., 310, 312, passim.

When immigrant workers bring their families with them, the children often do not do well in school by the standards set by the host country, a phenomenon comparable to that which we see in the U.S. as the children of rural whites and blacks move into urban schools.*

If we think of Europe simply as a number of distinct states, some of which (to the northwest) are possessed of high levels of economic development and large numbers of young immigrant males from the less developed south and east, then we may not recognize anything which may be regarded as comparable to the U.S. But if we think of Europe (and perhaps North-West Africa and the British, French and Dutch West Indies as well) as a single unit, with an internal flow of persons, then we may compare her to the U.S. (plus Puerto Rico and perhaps Northern Mexico). The flow of labor is not entirely comparable, of course. Thus women traditionally outnumbered men in the work force that migrated from countryside to city in America, while in Europe the pattern for immigrant workers is presently the opposite, more like the European emigration to the U.S. in the nineteenth and early twentieth centuries.** But this pattern is reversing itself. Women no longer greatly outnumber men in the rural to urban migratory process in the U.S., and have not done so for several decades; entire families now tend to move. And this is becoming the case in Europe as well. Throughout the 1960s the developed nations tended to alter their policies towards immigrant workers and now facilitate, or permit, entire families of Turks, Greeks, Yugoslavs, Portugese, Spanish, Italians,

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*Castles and Kosack, 220-235.

**See Phillip Taylor, The Distant Magnet (N.Y., 1972), for the best account of this emmigration.

Algerians and others to settle within their borders. In 1964 the ratio of male to female immigrants in West Germany was 3.6 to 1; by 1969 it was 1.98 to 1.* About 68 percent of all immigrant males in France, and about 56 percent of all immigrant males in West Germany, were either unmarried or without their families in 1970, but that is changing; polls of foreign workers in France, for example, indicate that two of every three foreign workers plan to bring their families into France after the first year of residence.** At least one prominent European is conscious of the parallels to American conditions. Doris Yokelson quotes a senior West German official who recently remarked that, if the move of immigrant workers and their families to German cities continues, the result would be "American conditions with ghettos, a subproletariat and a division between the privileged local population and the exploited alien coolies [which Asia-related word is an interesting choice, given what we have said of Koreans and Burakumin in Japan]."*** In any event, if one visualizes the families of immigrant workers as being part of the population of France or West Germany, even though they may not be living in those countries, or if we go further and visualize Europe, North-West Africa and the British, French and Dutch West Indies as a single entity, then the low unemployment rates, impressive social security systems, and low levels of public assistance of France, Switzerland, Holland, and West Germany come into proper perspective with those of the U.S.

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*Castles and Kosack, 50-51; Descloitres, 60.

**Descloitres, 143; Castles and Kosack, 50-51, 54.

***See Yokelson's discussion of "Foreign Workers," below.

The point of all this, perhaps, is that the families of unskilled workers of rural origin, especially those with cultural or racial backgrounds sharply different from those of the dominant urban-industrial culture, constitute a major portion of the low-income, social welfare population in all developed societies. We have not said anything very surprising when we say this, but we have said something that merits attention, for this generalization may further help to illuminate the problem for American anti-poverty warriors, and helps to explain why rural whites and blacks, Puerto Ricans, Chicanos, and American Indians are disproportionately represented in America's low-income, social welfare population.

Another point worth accenting is that made some years ago by Henry Aaron--namely, that the age of a nation's social welfare programs reflecting that society's degree of commitment to such programs, is a useful measure of the level and extent of coverage of the nation's work injury program, sickness and maternity benefits, old age, disability and survivors benefits, unemployment compensation, family allowances, and supplementary assistance benefits. Germany, Sweden, France, Holland, and Britain, with older programs than those of the U.S., tend to offer more than the U.S. Japan, with a relatively recent history of social welfare development, tends to offer less. On average, Europe led the U.S. by six years in the development of its work injury programs, by seventeen years in the development of social security, by fourteen years in the development of unemployment compensation, and presently "leads" the U.S. (assuming that we choose to follow) in the development of sickness and maternity benefits and family (children's) allowances.[*] All of the more developed nations have a tradition of borrowing social welfare ideas from one another (whether or not they are transferred intact); the U.S. is no exception.[**]

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[*] Pflanczer, op cit., 479.

[**] See, for example, Arthur Mann, Yankee Reformers in an Urban Age (1954); and J. William Domhoff, The Higher Circles (1970).

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Chapter II

POVERTY AND ANTI-POVERTY IN BRITAIN

By
Peter Karsten

POVERTY AND ANTI-POVERTY IN BRITAIN

Recent events have probably altered significantly the nature and extent of poverty in Britain, but while such economic repercussions as the coal slow-down and the energy crisis certainly contain lessons for anti-poverty warriors, this report on poverty in Britain and British anti-poverty programs is not "rendered inoperative" by what is going on in Britain today. We are less interested in predicting the future for Britain than in knowing whether the British experience with poverty offers any lessons for the U.S., and if our analysis takes us only so far as the onset of the coal-energy crisis, this will still have provided us with an ample opportunity to evaluate Britain's anti-poverty efforts over a period of several decades.

A. Characteristics of Poverty

The first efforts to devise a formal measurement of poverty in Britain appear to have been those of Charles Booth and Seebohm Rowntree. Their *fin de siecle* calculations of the "subsistence level" in Britain were altered in the 1930s by Rowntree and an associate, Lavers, and altered again in 1950 by Rowntree, his list of "minimum necessities" growing as the British standard of living rose. In 1936 Lavers and Rowntree calculated that some 17.7% of the population were living in poverty.

In 1942 Sir William Beveridge, using the Rowntree-Lavers 1936 criteria, recommended that the national government assume the "welfare" role that local governments had played since the passage of the Elizabethan

Poor Law, and in 1948 the government accepted his advice, embodied in the National Assistance Act.* National Assistance (called "Supplementary Benefits" since 1966), comparable to the Public Assistance levels set by our states, constitutes a kind of official "poverty line" definition,** where rent rebates and other "means-tested" cash or cash-equivalent allotments (and up to £2 per week earnings) are added on.

The maximum permissible Supplementary Benefit rate plus housing allowance and allowed non-taxable earnings in 1948 constituted 57% of the average British wage earner's net disposable income, but has risen by 1970 to 68% of the average net disposable income. Moreover, these assistance payments rose some 70% in real (price index) value from 1948 to 1969 for a married couple.*** Table 1 shows "real" changes in National Insurance (social security pension) benefits, National Assistance (supplementary Benefit) allowances, retail prices, and average weekly earnings for adult males from 1948 to 1967. Table 2 compares 1969 Supplementary Benefits plus rent to 1969 average disposable income for individuals and families of different sizes. Table 3 plots the relationship between "welfare" (without earnings) and average earnings for two types of recipients over time.

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*A.B. Atkinson, Poverty in Britain and the Reform of Social Security (1969), passim, M. Bruce, The Coming of the Welfare State (1965), 26-27; Robert Holman, et. al., Socially Deprived Families in Britain (1970), 160.

**Thus despite the fact that, as one British researcher recently put it, "the (National Assistance) Board has never explained precisely how it calculates its allowances." Peter Townsend, The Concept of Poverty (1970), 87.

***J.E. Meade, "Poverty in the Welfare State," Oxford Economic Papers, XXI (November 1972), 289-327; Atkinson, Poverty in Britain, 19-22.

Table 1

INDICES[a] FOR N.I. BENEFITS, N.A. ALLOWANCES, PRICES & WAGES, 1948-1967--GREAT BRITAIN

	N.I. Benefits[b]		N.A. Allowances		Retail Prices	Average Weekly Earnings for Men aged Over 20
	Single Person	Married Couple	Single Person	Married Couple		
1948	100	100	100	100	100	100
1949	100	100	100	100	103	105
1950	100	100	108	109	106	109
1951	100	100	125	125	117	119
1952	125	129	146	148	128	130
1953	125	129	146	148	131	139
1954	125	129	146	148	134	148
1955	154	155	156	158	139	162
1956	154	155	167	168	146	175
1957	154	155	167	168	151	180
1958	192	191	188	190	154	189
1959	192	191	208	213	155	196
1960	192	191	208	213	158	211
1961	221	220	223	225	161	225
1962	221	220	240	239	169	234
1963	260	260	265	261	174	241
1964	260	260	265	261	178	263
1965	308	310	317	314	184	282
1966	308	310	338	333	188	302
1967	346	348	358	353	192	304(est)

[a] Indices refer to July every year for prices and April for wages.

[b] These benefits are unemployment and sickness benefit, widowed mother's allowance and retirement pension.

Source: Victor George, Social Security (1968), 211.

Table 2

SUPPLEMENTARY BENEFIT SCALE (INCLUDING AVERAGE RENT) FOR CERTAIN REPRESENTATIVE HOUSEHOLDS--JUNE 1969

	Supplementary Benefit Scale (I.A.R.) £ s d	As % of take-home pay for manual worker with average earnings[b] %
Single pensioner[a]	6 11 0	38
Pensioner couple[a]	9 14 0	52
Unemployed man with wife and:		
2 children (aged 4 and 7)	12 12 0	60
4 children (aged 4,7,10 and 12)	16 3 0	67
6 children (aged 2,4,7,10 12 and 14)	19 11 0	72

[a] Including the long-term addition.

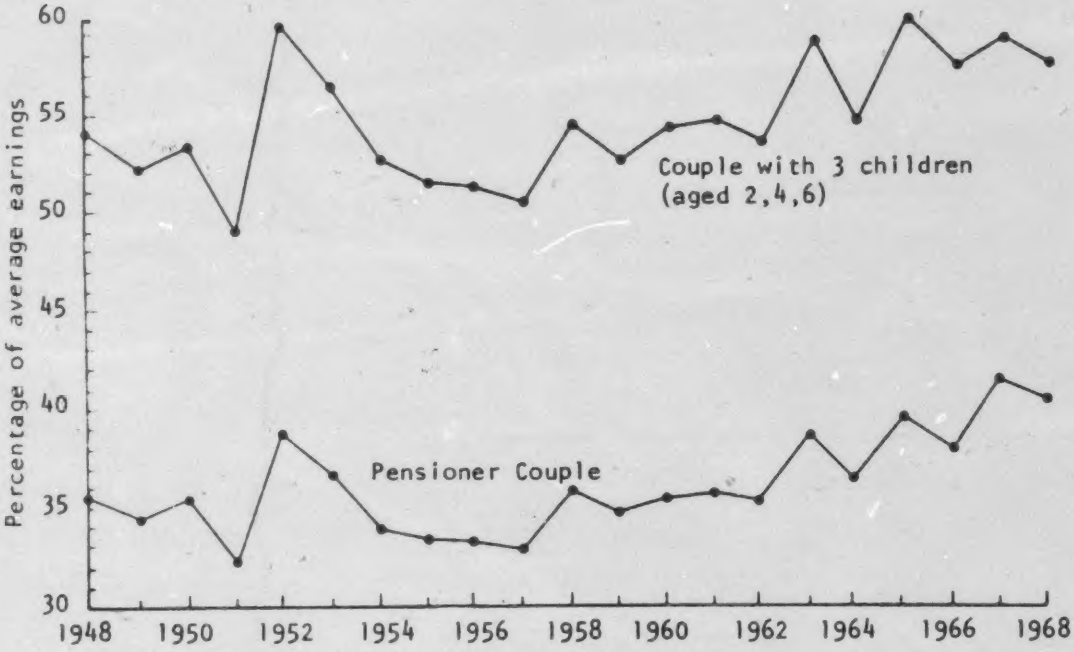
[b] Based on earnings of adult male manual workers in manufacturing and certain other industries, as published by the Department of Employment and Productivity (estimated at £24 for June 1969) adjusted for income tax, National Insurance contributions and Family Allowances. The income tax and Family Allowances are those applicable to a man with the dependants shown.

Source: Atkinson, Poverty in Britain, 19.

Table 3

NATIONAL ASSISTANCE/SUPPLEMENTARY BENEFITS

(Scale (I.A.R.) as Percentage of Average Earnings 1948-1968)



Note: Average earnings = average weekly earnings of adult male manual workers in manufacturing (average April and October)

Source: Atkinson, Poverty in Britain, p. 20.

Average earnings and the standard of living in Britain have been well below U.S. levels in the past several decades. Despite this, the British "poverty level," in real buying power, has never been more than about 10-15 percent below our own "Orshansky line." British "welfare" allowances are much closer to the minimum level of support that the U.S. public assumes a poor family needs than the U.S. allowances when these levels are expressed as percentages of median or average incomes. That is, in the U S., the public's notion of a "minimum level" has jumped from 97 percent of the "Orshansky line" in 1947 to 181 percent of the Orshansky line" in 1972, while that same "minimum level" when expressed as a percentage of median income has declined only slightly (from about 75 percent in the 1940s and '50s to about 68 percent in the '60s and '70s). Concurrently, in Britain, assistance levels plus allowed income have risen from 57 percent to 68 percent of average disposable income over the same time span. Real British "welfare" support is hence at the same level today as perceived need is in the U.S. in terms of median/average income, which implies that the British are willing to provide a higher relative level of support to the poor than we are in the U.S.*

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*On the other hand, J. Kasun claims that in 1964 some 67 percent net transfer payments were made to the lowest income class in Britain, while in 1965 some 83 percent net transfer payments were made to those with incomes of less than $2,000 in the U.S. (Current History, June 1973). Kasun is using Joseph Pechman's transfer payment figures (Joseph Pechman, "The Rich, the Poor and the Taxes they Pay," The Public Interest, [November 1969], p. 33. If, however, one uses the U.S. Census Bureau's estimates (bottom of page 89) of 56.5 percent net transfers to the $2,000 and below group, then Britain appears more generous to the poor. See Michael Young, ed., Poverty Report, 1974 (London, 1974), 6-10, for an argument similar to the one advanced on this page.

Table 3A

UNITED KINGDOM: TAXES AND BENEFITS AS PERCENTAGE OF ORIGINAL HOUSEHOLD INCOME IN 1964

	Ranges of original income per year (Sterling)												
	216	260	315	382	460	559	676	816	988	1196	1448	1752	2122-2566
Taxes													
1. Income-tax and surtax	4.0	3.3	7.5	6.7	6.2	4.8	4.8	5.3	6.7	7.4	9.4	12.7	14.3
2. National insurance contributions.......	2.7	1.8	3.8	8.9	7.3	8.8	9.2	8.2	7.5	6.6	5.7	5.0	3.5
3. = 1 + 2............	6.7	5.1	11.3	15.6	13.5	13.6	14.0	13.5	14.2	14.0	15.1	17.7	17.8
4. Indirect taxes......	40.3	32.3	25.0	26.8	21.4	21.0	19.3	18.4	17.6	16.2	15.5	14.1	12.1
5. = 3 + 4 (all taxes)	47.0	37.4	36.3	42.4	34.9	34.6	33.3	31.9	31.8	30.2	30.6	31.8	29.9
Benefits													
6. Direct benefits in cash............	95.4	67.8	52.9	31.1	17.1	12.3	6.9	3.9	2.8	1.7	1.1	1.1	0.9
7. Direct benefits in kind............	18.7	26.5	11.1	7.4	5.8	8.4	11.8	10.7	9.3	7.2	6.7	3.9	3.5
8. All benefits (6 + 7)............	114.1	94.3	64.0	38.5	22.9	20.7	18.7	14.6	12.1	8.9	7.8	5.0	4.4
9. All benefits minus all taxes..........	67.1	56.9	27.7	- 3.9	-12.0	-13.9	-14.6	-17.3	-19.7	-21.3	-22.8	-26.8	-25.5
Number of families (percentage distribution by income range)..........	1.8	2.3	1.3	1.3	2.5	6.7	12.1	18.8	18.3	16.0	11.5	5.3	2.1

Note: The table covers only a group of households in low and middle income brackets.

Source: U.N., Incomes in Postwar Europe (Geneva, 1967), Ch. 6, p. 29.

This may explain why the percentage "poor" after transfer payments is smaller in Britain than in the U.S.

Taking into account the level of living of applicants for National Assistance in 1953 and 1960, Peter Townsend and Brian Abel-Smith decided that 140% of the basic national assistance-scale (which would thus allow for rent and other allowances and the allowable £2 per week margin of non-taxable earnings) constituted a kind of official poverty level. Using this criterion, they found that 10.1% of the households (7.8% of the population) in Britain were poor in 1953-54 and 18% of households (14.2% of the population) were poor in 1960 (a function of the fact that national assistance rates were revised upward in the 1950s). In 1953-54 about 50% of those poor were living in households whose heads had retired; 58% in 1960 were living in such households. In 1953-54 about 35% of the poor were living in households whose heads were working, most being members of large (4 children or more) families; in 1960 some 41% were working and were members of large families.*

I. Gough and T. Stark**, using Central Statistical Office and Inland Revenue figures, and adjusting for the uneven rise in the "welfare" scale by calculating and using a "trend" value for the period from 1949 to 1965, estimated the number of poor persons for 1954, 1959 and 1963 (Table 4).

Using the same criteria to determine the numbers of poor persons, Robert Holman and A.B. Atkinson have separately calculated that some 7 to 8% of persons in Britain were in poverty both in 1965-66 and in 1969.

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*B. Abel-Smith and Peter Townsend, The Poor and the Poorest (1965).

**Gough & Stark, "Low Incomes in the U.K.," The Manchester School (June, 1968).

All of these calculations (like comparable U.S. calculations) are estimates of the degree of poverty after payments of pensions and "welfare" allowances.*

Poverty in Britain is apparently no more, no less persistent than poverty in the U.S. Of those receiving national assistance paymetns in 1965, some 63 percent had been receiving such payments for 3 years or more,** which may be compared to the 58 percent in the U.S. for the smae time span. Tables 5 and 6 provide further details of the duration of poverty-relief payments in Britain. Table 7 gives a picture of poverty by family type for the fiscal year of 1965-66. Tables 8 and 9 indicate the percentage of low income families by family size in 1966.

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*Holman, Socially Deprived Families, 34, Atkinson, "Policies for Poverty," Lloyds Bank Review (April, 1971), 17-28; and Atkinson, Poverty in Britain, 32-40.

A.B. Atkinson has calculated that 75% of those below the "poverty line" in Britain are only 5% or less below it. (Poverty in Britain, 41.) I don't know, but I suspect that the percentages in the U.S. are comparable to these.

**V. George, Social Security, 226.

Table 4

PERSONS WITH INCOMES BELOW THE NATIONAL ASSISTANCE SCALE (+ RENT)
(Estimates of Gough and Stark)

YEAR	Persons in income tax units with incomes below National Assistance scale ('000's)	Percantage of Total Population
1954	6,300	12.3
1959	4,600	8.8
1963	5,100	9.4

Table 5

DURATION OF ALLOWANCES WHICH CEASES DURING THE 12 MONTHS ENDING IN OCTOBER 1964--GREAT BRITAIN
(in percent)

	Proportion of allowances which lasted:			
	Three months or less	Four months to one year	One to three years	More than three years
Assistance paid in supplementation of insurance benefits:				
Retirement pensions	11	12	22	55
Sickness or industrial injury benefits	59	23	11	7
Widow's benefit	25	26	28	21
Unemployment benefit	48	35	15	2
Assistance paid in supplementation of non-contributory old age pensions	-	4	-	96
Assistance to persons not receiving such pensions or benefits:				
Persons registered for employment	59	20	17	4
Persons not registered for employment:				
Persons over pension age	7	11	16	66
Persons under pension age	40	30	17	13
Total	40	22	17	21

Source: Table 7, p. 20, N.A.B. Report 1964.
Drawn from George, pp. 225 and 227.

Table 6

DURATION OF ALLOWANCES CURRENT AT DECEMBER 1964
(in percent)

	Proportion of allowances which have been in payment:			
	Three months or less	Four months to one year	One to three years	More than three years
Assistance paid in supplementation of insurance benefits:				
Retirement pensions	3	8	20	69
Sickness or industrial injury benefits	16	19	29	36
Widow's benefit	5	13	29	53
Unemployment benefit	39	37	20	4
Assistance paid in supplementation of non-contributory old age pensions	-	2	4	94
Assistance to persons not receiving such pensions or benefits:				
Persons registered for employment	17	15	32	36
Persons not registered for employment:				
Persons over pension age	1	5	11	83
Persons under pension age	6	14	22	58
Total	6	11	20	63

Source: Table 8, p. 22 N.A.B. Report, 1964
Drawn from George, Social Security, pp. 225 & 227.

Table 7

FAMILIES ASSISTED AT ANY TIME DURING YEAR 1965-1966

	Family Type			
	All Types	Fully Employed Fathers	Sick or Unemployed Fathers	Fatherless
All Families	100	100	100	100
Families Poor at Survey				
1. Never assisted during year	2½	2	14	6
2. Previously assisted during year	1	½	12	-
3. Not assisted at survey date	3½	2½	26	6
4. Assisted at survey date	3½	-	37	42
5. Total	7	2½	63	48
Families Not Poor at Survey				
6. Never assisted during year	86½	92	31	33
7. Previously assisted during year	6	5½	6	15
8. Not assisted at survey date	92½	97½	37	48
9. Assisted at survey date	½	-	-	4
Total	93	97½	37	52
10. Total Assisted During Year				
11. Previously (2 + 7)	7	6	18	15
12. At survey date (4 + 9)	4	-	37	46

Notes:
(i) Period: twelve months preceding 1966 survey.
(ii) Family type at survey date.
(iii) Poor: in initial old-standard poverty.

Source: R. Holman, Socially Deprived Families, p. 34.

Table 8*

DISTRIBUTION OF LOW INCOME FAMILIES BY SIZE--MINISTRY OF SOCIAL SECURITY ENQUIRY 1966

Column	1. Total number of families of this size	2. Families with incomes below N.A. scale.	3. Proportion of families of this size with incomes below N.A. scale.	4. Proportion of total low income families which were of this size.	5. Proportion of total children in low income families which were in families of this size.	6. Proportion of total families with incomes more than £2 below N.A. scale which were of this size.
	('000's)	('000's)	%	%	%	%
Families with:						
2 children	1535	21	1	33	18	60
3 children	690	15	2	24	20	8
4 children	280	11	4	17	19	10
5 children	91	7	7	11	15	6
6 children or more	68	10	14	16	28	16
All families.	2664	63	2	100%	100%	100%

Source: *Circumstances of Families*, Tables III.4, A.3, A.4 and A.8.

Note: These figures are not adjusted for non-response (which accounts for the discrepancy between the total in column 2 of 63 000 and the figure of 70 000 quoted in the text). Because of rounding, the columns do not always add up to the totals shown.

N.A. = National Assistance (including housing expenditure of each family).

These figures relate to families with a father in full-time work.

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*Drawn from Atkinson, Poverty in Britain, pp. 81, 82, passim.

Table 9

EARNINGS OF ADULT MEN IN RELATION TO SUPPLEMENTARY BENEFIT SCALE (I.A.R.) FOR DIFFERENT HOUSEHOLD TYPES--1968

Household Type:	Gross weekly earnings required to reach Supplementary Benefit scale (I.A.R.) £	s.	d.	Men (over 21) working full-time with earnings below this "poverty" level %	('000's)
Married Couple and no children	10	7	0	0.7	100
1 Child	12	8	0	2.0	200
2 Children	13	5	0	3.4	400
3 Children	14	1	0	5.1	600
4 Children	14	17	0	7.5	900

SOURCE: Earnings figures derived from 'Results of a new survey of earnings in September 1968', op.cit., Tables 1 and 2.

Notes: The Supplementary Benefit scale is that introduced in October 1968. It is assumed that each household pays average rent (as defined in Appendix B). The allowances for children are taken as the average of those for children aged 5-10 and 11-12.

Gross earnings are calculated allowing for Family Allowances, National Insurance contributions (flat-rate and graduated) and for income tax. The Family Allowances were those introduced in October 1968. The figures are rounded to the nearest 1s.

Tables 10 and 11* display the degree and apparent consequences of protein and calcium deficiencies for large families.

Tables 12 and 15** do not distinguish among types of poor family units (fatherless families, large families, elderly, etc.), but simply indicate the manner in which the poor and non-poor spend their funds on various kinds of foods and other commodities.

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*Drawn from Peter Townsend, ed., The Concept of Poverty ('70), 66, 78.

**Drawn from Townsend, The Concept of Poverty, 67,81, 84.

Table 10

ENERGY VALUE AND NUTRIENT CONTENT OF FOOD CONSUMPTION OF CERTAIN UNITED KINGDOM HOUSEHOLDS IN 1950 AND 1964 EXPRESSED AS A PERCENTAGE OF RECOMMENDED ALLOWANCES

	Families with 1 child			Families with 4 or more children		
Nutrient	1950	1964	Change	1950	1964	Change
Energy Value	109	114	+ 5	101	101	− 0
Total Protein	117	112	− 5	94	90	− 4
Calcium	120	118	− 2	92	87	− 5
Iron	123	126	+ 3	107*	110	+ 3
Vitamins†						
Vitamin A	167*	211	+44	145*	176	+31
Thiamine	140*	141	+ 1	131*	122	− 9
Riboflavin	126	130	+ 4	109	108	− 1
Nicotinic Acid	146	154	+ 8	123	128	+ 5
Vitamin C	283*	272	−11	213*	187	−26

* 1952 figures.

† No details are given for vitamin D as there are no BMA recommended allowances for this nutrient.

Source: *Domestic Food Consumption and Expenditure Survey, 1950 and 1964*, London, HMSO, 1952 and 1966.

Table 11

MEAN HEIGHT IN INCHES OF BOYS OF SCHOOL OR PRE-SCHOOL AGE IN ENGLAND WITH NO SIBLINGS OR WITH THREE OR MORE

Mean Age	Place	No Siblings	Three or more Siblings
5 years 6·1 months	Croydon	43·8	43·1
	Salford	43·9	42·1
	Exeter	43·6	42·3
	York	43·4	42·7
	Sheffield	43·8	42·1
	Southampton	43·7	42·6
	Lancashire	44·4	42·7
	Nottinghamshire	44·3	43·6
	Northumberland	43·6	43·4
	Gloucester	44·0	43·3
14 years 6·0 months	Croydon	64·9	63·5
	Salford	62·8	59·8
	Exeter	65·4	62·7
	York	64·3	62·7
	Sheffield	64·1	61·7
	Southampton	63·9	62·1
	Lancashire	65·0	63·0
	Nottinghamshire	64·1	62·9
	Northumberland	65·1	62·8
	Gloucester	64·5	63·9
	Cumberland	63·6	61·2

Source: Berry and Hollingsworth, 1963.

Table 12

RANGE IN NUTRIENT CONSUMPTION FOR DIFFERENT SOCIAL CLASSES IN THE UNITED KINGDOM--1950-1964

Difference in percentage points between highest (A1) and lowest (D1) social classes, when the intake of each is expressed as a percentage of the average intake

	1950	1954	1958	1960	1962
Calories	6	-0.5*	6	5	3
Protein	8	5	12	13	9
Fat	12	9	20	20	13
Calcium	16	11	14	19	16
Iron	10	7	9	7	9
Vitamin A	30	18	32	30	18
Thiamine	4	6	12	7	9
Riboflavin	20	17	21	23	19
Nicotinic Acid	7	8	15	14	17
Vitamin C	27	50	45	36	44
Vitamin D	22	10	11	4	2

*Negative figures indicate higher consumption for social class D1

Source: Greaves, J.P., and Hollingsworth, D.F., 1966.

Table 13

CONSUMPTION OF VARIOUS FOODS RELATED TO INCOME

	Income of Head of Household			
	More than £24	£9 10s. to £15	Under £9 10s.	Average
Liquid milk (pints	5.6	4.5	4.3	4.9
Meat (ozs)	40.1	36.2	38.0	36.0
Fruit (ozs)	43.6	25.1	22.3	24.3
Bread (ozs)	34.3	45.9	48.9	41.2
Potatoes (ozs)	47.1	60.3	60.6	42.0

Table 14.

PERCENTAGE OF AVERAGE WEEKLY EXPENDITURE SPENT ON FOOD

Household Expenditure	under £5	£5 but under £10	£10 but under £15	£15 but under £20	£20 but under £25	£25 but under £30	£30 but under £35	£35 but under £40	£40 or more	All households
Percentage spent on food	33	33	34	34	30	29	28	27	22	28

Source: Report of the Family Expenditure Survey for 1964, London, HMSO, 1965.

It is usually asserted that the proportion of expenditure going on food declines as income rises. This is to some extend supported by an analysis of data from the Family Expenditure Survey (Table 14). However, the "drop off" is slower than might have been imagined and does not hold true for the lower income groups where the percentage of expenditure attributed to food actually rises as income rises. In money terms, however, such an analysis masks the vast variation in expenditure by different groups. Thus on average a family with an income of under £5 per week spends only £1.16s. 0d. on food and a family with an income between £5 and £10 only £2.16s. 0d. This compared with £7.17s 0d. for a family earning between £35 and £40 and £8.16s. 0d. for families whose total income is £40 or more. Perhaps the most important of all, the average household expenditure on food is £6.12s. 0d. Therefore the lowest income group spends only just over a quarter of the average amount of food. (Townsend, 80)

Table 15

PERCENTAGE OF TOTAL EXPENDITURE SPEND ON DIFFERENT ITEMS BY HOUSEHOLDS WITH DIFFERENT INCOMES

(in percent)

	Household Income		
	Under £5	£5 but under £10	All households
Housing	19	18	11
Fuel, light and power	14	13	6
Food	33	33	28
Alcoholic drink	3	2	4
Tobacco	3	5	6
Clothing and footwear	6	6	9
Durable household goods	3	4	6
Other goods	6	7	7
Transport and vehicles	3	4	11
Services	9	8	11

As in the U.S., Canada, and probably most other industrialized countries, the two most noticeable groups of poor are the members of fatherless families and the elderly.

In Britain an unsupported mother of two children, working full-time and earning the average woman's wage, earns about 60% of the income earned by the average married couple with two children. And, more important, should she work only so long per week as to earn 2 pounds per week, and turn to national assistance for the remainder of her income, she would receive some 7% *more* than if she worked full-time (see Table 16*).

Table 16

THE INCOMES OF A FATHERLESS FAMILY WITH TWO CHILDREN COMPARED WITH THE AVERAGE INCOME OF A MARRIED COUPLE WITH TWO CHILDREN

(1966 values)

Type of Family, and income (with family allowance)	Weekly income	As a percentage of national assistance allowance[2]
Fatherless family, with two children, and income from:		
average women's wage (net of National Insurance)*	£ 9 14 6	115
Basic national assistance allowance	£ 8 10 0	100
National assistance plus £2 maximum part-time earnings	£10 10 0	123
Average income of a married couple with two children (net of tax and National Insurance)[1]	£22 3 6	202

*Ministry of Labour Gazette, August 1966, HMSO, Vol. LXXIV, No. 8 (figure for April 1966).

[1] Ministry of Labour, Family Expenditure Survey for 1965, HMSO, 1966, pp. 83,87.

[2] The national assistance allowance includes an amount for each person in the household, according to the status and age, and an allowance for rent. For the purpose of this calculation the children are assumed to be aged 5 to 9, and the rent to be £2.

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*Drawn from P. Townsend, ed., The Concept of Poverty, 206. This is not necessarily *bad*; some would argue that a mother of small children should not *have* to do anything but brief, part-time work (if, indeed, she should be obliged to do even that).

Between 1960 and 1972 British "welfare" ("N.A." or "S.B.") rolls rose by some 70%, but fatherless family "welfare" rolls rose by more than 200% (from 8% to 16% of all, "welfare" recipients) in the same period. While this is still substantially less than the 60% of welfare recipients in the U.S. who are members of fatherless families, British fatherless families constitute a growing percentage of "welfare" recipients.* Martin Rein feels that a cause of the rise is the tendency of husbandless mothers to set up households on their own--a kind of feminist phenomenon. This tendency may simply be more advanced in the U.S., a function of the fact that the U.S. has a more developed, "post-industrial" social economy than has Britain, which "post-industrial" condition might facilitate the formation of effective female-headed families. However, this "post-industrial" level of development may also facilitate the opposite--a feeling among low-income fathers that they may avoid marriage, desert, or divorce the mothers of their children with impunity or no sense of responsibility. Most important, we suspect (and as Heather Ross recently suggested**), is the low-wage pattern for those women in the work force who have few critical skills and/or little education. Many have chosen simply to opt out of the work force and to "go on relief."

Just as larger families appear to experience protein and calcium deficiencies, so fatherless families experience other income-related deficiencies. Table 17*** suggests the degree to which various kinds of

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*Martin Rein, "What Welfare Crisis?" The Public Interest (Fall, 1973), 77.

**Ross, Poverty: Women and Children Last (Urban Institute Working Paper, 971-08-02, Dec. 5, 1973).

***Drawn from Townsend, The Concept of Poverty, 209.

Table 17

NUMBER AND PERCENTAGE OF FATHERLESS FAMILIES AND OF ALL HOUSEHOLDS HAVING DIFFERENT ARTICLES

Article	Marital Status of Mother				All fatherless families percent	Large & small urban areas percent*
	Unmarried n = 26	Separated n = 41	Divorced n = 35	Widowed n = 14		
TV access	20	34	31	13	84	81 †
owner	1	2	7	4	12	--
Washing machine	3	15	19	8	39	55
Refrigerator	1	6	6	5	15	30
Telephone	5				4	16
Furniture	10	38	30	12	78	--

*SOURCE: Family Expenditure Survey, 1964, HMSO, 1966. This was the only year to give breakdowns of possession of these items for large and small urban areas.

† The figures are not strictly comparable, since the Family Expenditure Survey figure is for licences rather than sets.

fatherless families in Britain lack access to labor-saving appliances furniture, and other amenities.

The children of such families are sometimes segregated from others at school for free luncheons; they are sometimes unable to participate in such school activities as require modest outlays of funds (outings, school uniforms, cookery expenses, etc); they are often low achievers with low aspirations; their conduct in classes is rated much lower than that of children from "more comfortable homes" (13.3% of the latter scoring poorly 46.7% of the former scoring poorly); and they rarely go on to higher education, a fact that did not appear to trouble their mothers, who need the additional income that a working adolescent could provide. As one husbandless mother put it: "I'm worried to death in case (my daughter) does pass the 11-plus (a kind of CEEB-Merit equivalent)." In 1963 the "Robbins Report" revealed that of those children with high (over 130) IQs, 37% of the children of non-manual workers, but only 18% of the children of manual workers, reached universities, and of those children with above average (115-129) IQs, 17% of the children of non-manual workers, but only 8% of the children of manual workers, reached universities. Moreover, as J.W.B. Douglas shows (All Our Future, 1968), nearly half of the children of lower class, manual workers in the above 130 IQ range (16%) had left school before they were 16 and a half. These data are certainly comparable to the educational pattern of low-income families in the United States, and the immigrant status of children with the greatest educational problems in Britain is also comparable to that of children with educational problems in the U.S. On a brighter note, lately in Britian, as in the U.S., compensatory funds are flowing to schools in low-income areas.*

The elderly are a larger percentage of all "welfare" (Supplementary Benefits) recipients in Britain (55% of all recipients in 1969) than in the U.S.** This is probably due to four facts: Firstly, Social Security levels are higher in the U.S. than in Britain; indeed, for many British pensioners they are so low that they desperately need Supplementary Benefits (see Tables 18, 19 and 20)***. Secondly, of some 1,537,000 single pensioners on Supplementary Benefits in 1973, some 1,370,000 were women. The British National Insurance system does not take "non-working" women (housekeepers) into account.****

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*Townsend, Concept, 211; R. Holman, Socially Deprived Families, 126-133; Ministry of Pensions, Circumstances of Families (HMSO, 1967); D. Marsden, Mothers Alone (1969); H. Land, Large Families in London (1970); Young, Poverty Report, 1974, 180-191.

**Martin Rein, "What Welfare Crisis?" Public Interest (Fall, '73), 69.

***A.B. Atkinson, Poverty in Britain, 47,51,56. Brian Abel-Smith explains the low level of Britain's flat rate old-age insurance benefits in terms of the pressures over the past 25 years for roads, schools, improvements in health services and home services for the elderly and disabled. Abel-Smith, "Perspectives on Income Inequality and Income Maintenance," in Phillip Booth, ed., Social Security: Policies for the 1970s (Ann Arbor, 1973).

****Young, Poverty Report, 1974, p. 14.

Table 18

RETIREMENT PENSIONERS WITH NO INCOME APART FROM THE RETIREMENT PENSION (AND NATIONAL ASSISTANCE)--JUNE 1965

Age:	Couples %	Percentage with No Other Income[a] Single Men %	Single Women %	All Retirement Pensioners[b] %
60-64	-	-	20	20
65-69	9	22	27	16
70-74	11	24	31	20
75-79	15	22	41	27
80-84	21	31	42	34
85 and over	24	35	50	44
All Ages	12	25	32	20

SOURCE: Financial and other circumstances of Retirement Pensioners, Table II.4.

NOTES: [a] Apart from National Assistance.
[b] The figure from all Retirement Pensions is calculated with an adjustment for non-response.

Table 19

RETIREMENT PENSIONERS BELOW THE NATIONAL ASSISTANCE SCALE--THOSE WITH OCCUPATIONAL PENSIONS AND THOSE WITHOUT--JUNE 1965

	Percentage of those receiving occupational pensions who had incomes* below National Assistance Scale %	Percentage of those not receiving occupational pensions who had incomes* below National Assistance Scale %
Married Couples	20	49
Single Men	17	56
Single Women	30	67
All Retirement Pensioners	22	60

Source: *Financial and other circumstances of Retirement Pensioners*, Table BR.9

Note: * Income before National Assistance.

Thirdly, until January 1, 1974, old age assistance in many parts of the U.S. was inadequate, averaging about $77.00 per month, which may have caused some elderly poor in the U.S. to avoid the "means test" application for OAA. In Britain, when supplementary benefits were boosted in 1966, the percentage of persons on welfare jumped from 5.5% of the population in 1965 to 8.4% in 1972*. Note (Table 20) that some 39% of

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*Rein, op. cit., 69.

Table 20

RETIREMENT PENSIONERS ELIGIBLE FOR AND RECEIVING NATIONAL ASSISTANCE--JUNE 1965

	Married Couples (000's)	%	Single Men (000's)	%	Single Women (000's)	%	All Retirement Pensioners (000's)	%
1. Income (before National Assistance (below National Assistance Scale	490	34	240	40	1720	62	2940	42
2. Receiving National Assistance	250	18	130	22	930	34	1560	27
3. Not entitled to National Assistance on account of savings	70	5	30	5	190	7	360	1
4. Entitled to National Assistance but not receiving it	160	11	80	13	590	21	990	17
5. Proportion of those entitled to National Assistance not receiving it*	—	39	—	38		39		39

Notes: Figures are adjusted for non-response.

Figures are rounded and for this reason totals may not balance exactly.

*Ratio of column 4 to (column 1 - column 3).

Source: Financial and other circumstances of Retirement Pensioners, Tables III. III.4 (2).

those British retirement pensioners eligible for National Assistance (renamed Supplementary Benefits in 1966) were not receiving it. While many new applicants were non-elderly, the point I seek to make is that the recent boost in OAA in the U.S. may result in an increased "take-up" of OAA by those eligible.

And finally, it must be added that the over-65 constitute a slightly greater proportion of the population in Britain than in the U.S due to the emigration of some young Britons (though this explains but a small part of the difference in the percentage of elderly on relief in the two countries).

A third identifiable group of poor persons in Britain are those in families headed by low earners, many of whom work full-time (see Table 21*). Tables 22, 23, and 24** display the degree to which low-earners in Britain may be located by age, type of occupation or region. The pattern of low earnings for the young, the aged, farm laborers, the non-manufacturing service sector, and certain depressed regions is certainly comparable to that in the U.S., as is the fact*** that low-earners suffer more from inflation than other wage-earners.

The percentage of married women in the work force who had children "under 15 or still in school" has steadily been rising, as in the U.S.

Table 21

PRIMARY SOURCE OF INCOME FOR HOUSEHOLDS WITH INCOMES BELOW THE NATIONAL ASSISTANCE SCALE--1960

Primary Source of Income [a]	% of Total Persons Living in Households with Incomes below National Assistance	Estimated total persons in U.K. ('000's)
Pensions [b]	37	740
Other State Social Security Benefits [c]	44	876
Earnings and Other Private Income	18	365

Source: *The Poor and the Poorest*, Tables 21 and 22

Notes:

[a] A primary source is defined as one providing half or more of income

[b] Pensions include Retirement Pension, widow's pension and the non-contributory old age pension (since abolished).

[c] Including National Assistance, National Insurance benefits apart from pensions and Family Allowances.

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*Atkinson, Poverty in Britain, 40.

**Atkinson, op. cit., 90, 92.

***Young, Poverty Report, 1974, 52.

Table 22

INDUSTRIAL DISTRIBUTION OF LOW EARNINGS--1968

	Proportion of men (21 and over) workin full-time earning less than	
	£12 10s. a week %	£15 a week %
All industries	2.1	7.9
All manufacturing industries	1.3	4.1
All non-manufacturing industries	3.5	10.7
Agriculture	14.5	36.6
Mining and quarrying	1.5	9.7
Construction	1.3	4.6
Gas, electricity and water	0.8	3.7
Transport and communication	1.4	4.7
Distributive trades	4.2	13.9
Insurance, banking and finance	3.4	9.3
Professional and scientific services	4.4	13.6
Miscellaneous services	9.2	18.2
Public administration	3.2	14.3

Source: derived from 'Results of a new survey of earnings in September 1968' op. cit., Tables 15 and 16.

Note: The figures for earnings below £12 10s. are obtained by linear interpolation, and for this reason may not be so accurate as those for the £15 level.

Whereas in 1963 some 25% of such mothers worked, by 1973 the figure had risen to 40%, which may explain the concurrent decline in the labor force participation of Britons 15 to 19 years of age, and the rise in the percentage of 15 year olds still in school (45% in 1961, 70% in 1971).*

B. Government Policies and Programs

1. Employment

Tables 25, 26, and 27** report information on the problems of finding employment in Britain. One interesting feature of the British unemployment insurance system is the redundancy allowance, paid to workers displaced by automation, relocation, or economic decline (up to 40 pounds per week

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*Margaret Gordon, ed., Poverty in America (1965), 144; "Women in Work," New Society (Oct. 25, 1972), p. 195.

**All drawn from V. George, Social Security, pp. 27, 113, 246.

Table 23

DISTRIBUTION OF LOW EARNINGS BY AGE--1968

	Proportion of men working full-time with weekly earnings below	
	£12 10s.	£15
Age:	%	%
21–4	5.2	14.9
25–9	1.9	5.6
30–9	1.3	3.9
40–9	1.4	5.1
50–9	2.3	8.6
60–4	4.3	15.2

Source: 'Results of a new survey of earnings in September 1968', op. cit., Table 8.

Table 24

REGIONAL DISTRIBUTION OF LOW EARNINGS--1968

	Proportion of men (over 21) working full-time with weekly earnings below	
	£12 10s.	£15
Region	%	%
South East	2.0	5.6
East Anglia	4.0	12.0
South Western	3.5	10.9
West Midlands	2.1	6.3
East Midlands	2.0	7.2
Yorkshire and Humberside	2.8	9.6
North Western	2.4	7.8
Northern	2.6	9.4
Wales	3.2	11.1
Scotland	3.4	11.0
GREAT BRITAIN	2.1	7.9

Source: 'Results of a new survey of earnings in September 1968', op. cit., Table 10.

Table 25

CHANGES OF EMPLOYERS 1953-63 (EXCLUDES CURRENT EMPLOYER) GREAT BRITAIN

CHANGES OF EMPLOYERS 1953–63 (EXCLUDES CURRENT EMPLOYER)
GREAT BRITAIN

Length of employment	*Men* %	*Women* %	*Both Sexes* %
Under 6 months	21·6	22·7	22·1
6 months but under 1 year	14·6	15·6	15·0
1 year	15·3	17·0	16·0
2 years	12·6	11·0	11·9
3–5 years	15·2	16·1	15·6
6–9 years	7·2	9·8	7·5
10–19 years	6·4	6·6	6·5
20–29 years	2·4	1·2	1·9
30 years or more	4·7	2·0	3·5
Total	100·0	100·0	100·0

Source: A Harrison. 'Labour Mobility in Great Britain, 1953–63.' and R. Clausen. Government Social Survey, 1966.

Table 26

PROSPECTS OF FINDING EMPLOYMENT ACCORDING TO SEX AND MARITAL STATUS

	Should get work without difficulty	*Will find difficulty in getting work because of:*						*Total*
		Lack of local opportunities	*Inadequate Qualifications*	*Age*	*Physical and Mental Condition*	*Attitude to Work*	*Other[a] Personal Reasons*	
Men	52,920	37,110	3,280	54,790	47,960	24,580	16,080	236,520
Married Women	9,900	11,190	1,030	5,280	4,020	2,750	9,280	41,450
Single Women	9,690	5,660	800	3,110	8,060	2,170	3,470	34,960
Men and Women	72,510	53,960	5,110	63,180	60,040	29,500	28,830	312,930

PROSPECTS OF SECURING EMPLOYMENT AND DURATION OF CURRENT SPELL SINCE LAST EMPLOYMENT

No. of weeks since last employment	%	%	%	%	%	%	%	%
Up to 8 weeks	77·8	37·5	33·5	20·6	19·8	17·5	30·6	37·5
9–26 weeks	14·9	24·2	25·2	19·3	15·3	20·2	22·2	18·8
27–52 weeks	4·0	14·2	12·9	17·4	13·6	14·8	15·9	12·6
53–104 weeks	1·7	12·5	11·5	18·5	15·7	18·6	13·6	12·5
105–199 weeks	0·7	6·4	8·2	15·6	16·4	15·0	8·9	9·9
200 and over	0·8	5·1	8·8	8·7	19·1	13·9	8·8	8·7

Source: *Ministry of Labour Gazette*, April 1966, Adapted from Tables 1 and 5.

(*a*) The main reasons included in this heading are: Prison Record, Colour, Lack of English, Restriction on Availability for Work and Lack of Financial Incentive.

for up to 30 weeks). A Labour Ministry study of worker attitudes provides evidence of the inertia of the British working class, in the sense that it suggests the resistance of workers to physical relocation in the event of the loss of jobs. Some 45% would prefer to take "a less suitable job locally" and only 46% (whose responses constitute Table 27) would consider moving rather than take a "less suitable job locally if their current employment ceased."

Unemployment in Britain has been rising steadily from 2.3% in 1960 to some 5.3% in 1971.* British job training schemes do not appear to be targeted very effectively on the unskilled, "hard-core" unemployed. Indeed, some British observers have expressed their envy of the "success" Americans have had with job development programs targeted on the poor and hard-to-employ. But job training is only one facet of an anti-unemployment program. Economic (job) development is clearly a sine quo non, but the British offer few models here.**

2. Housing

The most critical problem foreseen by workers who expressed a willingness to leave their locale if they lost their job and were offered one elsewhere (Table 27) was that of finding adequate housing elsewhere. Their anxiety is understandable; good, reasonably-priced housing is hard to find in Britain, especially in the economically active Greater London

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*Kasun, Current History (June, 1973).

**Holman, Socially Deprived Families, 184. The 1967 regional economic premium plan of the Dept. of Economic Affairs, designed to spur employment in depressed regions by subsidizing labor costs, may be an exception, but I have seen no evaluation of the program.

Table 27

FACTORS NEEDED TO BE SATISFACTORY BEFORE MOVING
(in Percent)

Factor	Men	Women	Both Sexes
Pay and promotion prospects	62.5	56.8	61.7
Security of job	39.9	25.5	38.1
Other conditions of work	7.7	12.0	8.2
Housing	81.6	73.0	80.5
Good Schools	16.0	5.4	14.6
Public transport	5.4	5.8	5.4
Shopping facilities	4.8	3.5	4.6
Social amenities	8.0	11.2	8.4
Other social characteristics of the area	2.7	6.2	3.1
Amenable surroundings	16.9	18.9	17.2
Contact with friends/family	3.1	6.9	3.6
Consideration of family's wishes	2.4	0.8	2.2
Financial (other than pay)	2.2	0.8	2.0
Miscellaneous answers	0.3	0.4	0.3

Source: Labour Mobility in Great Britain, table 40, p. 39.

Table 28

HOUSING AMENITIES
(PERCENT OF TOTAL HOUSEHOLDS)

	Households with shared use of hot water tap	Households with no use of hot water tap	Households with shared use of fixed bath	Households with no use of fixed bath	Households with shared use of inside W.C.	Households with outside W.C. only
Great Britain	2.1	12.5	4.1	15.4	4.4	16.7
England and Wales	2.1	12.5	4.3	15.0	4.1	18.0
Greater London	5.6	15.0	13.3	14.8	13.3	12.6
Brent	10.2	13.6	22.3	10.2	18.4	5.9
Camden	9.4	21.1	25.8	19.1	32.3	6.9
Hackney	6.7	29.2	18.8	30.5	24.2	16.7
Hammersmith	10.4	27.2	25.1	24.9	25.4	16.7
Islington	9.8	36.6	27.1	34.4	38.1	14.1
Lambeth	8.2	21.3	21.6	17.4	21.9	11.0
Lewisham	6.7	16.3	15.4	15.3	12.6	16.0
Southwark	5.1	28.9	10.7	34.2	13.1	21.9
Tower Hamlets	1.5	34.9	2.9	40.8	7.4	26.2
Wandsworth	7.8	20.3	18.9	20.3	15.7	18.1
Birmingham	4.1	17.5	6.3	18.6	6.0	27.8
Bradford	1.4	12.6	2.1	19.6	2.2	27.0
Cardiff	4.9	9.9	8.4	13.9	5.6	26.5
Coventry	1.4	15.2	2.2	10.4	2.0	17.6
Glasgow	1.5	23.8	1.8	32.7	16.1	1.8
Liverpool	4.0	20.2	6.0	25.6	6.4	31.6
Manchester	3.2	13.0	6.5	19.5	6.3	31.9
City "A"	2.0	13.9	2.9	17.9	3.3	28.8

Source: 1966 Sample Census.

Table 29

POPULATION STRUCTURE AND OVERCROWDING

Wards	Total house-holds	Large households with 6 or more persons % of total households (%)	% of total households with density of population over 1½ per room (%)	Resident Population born in New Common-wealth countries	Resident Population born in New Commonwealth countries as % of total ("coloured") population(%)
Kilburn	4,260	3.5	8.5	1,220	11.6
St. Johns	3,450	6.1	5.8	1,320	14.9
Clissold	4,610	5.2	5.0	2,100	16.5
Sherbrooke	2,740	5.1	5.5	310	4.4
Barnsbury	3,970	7.6	10.3	1,570	13.6
Tulse Hill	5,870	8.0	8.2	2,980	17.4
Drake	5,290	6.6	6.4	2,620	17.5
Faraday	5,000	4.4	1.8	240	1.6
Bethnal Green North	2,890	4.8	1.7	90	1.1
Shaftesbury	5,320	6.6	4.5	1,990	13.2
Soho	8,620	12.9	11.5	5,900	21.3
Manningham	4,180	5.5	3.8	1,680	14.4
Canton	3,830	7.6	0.5	40	0.3
St. Michael's	6,200	10.8	3.1	1,830	9.3
Woodside	5,030	8.0	21.5	270	2.0
Granby	5,230	12.8	10.1	1,130	6.6
Beswick	5,340	8.6	3.8	70	6.4
Ward "B"	3,830	6.5	1.8	240	2.2

area. Tables 28, 29, 30 and 31[*] provide some information on housing conditions in London and the rest of Britain. It can be seen that on every score (persons per room, access to hot running water, access to toilets, etc.) housing conditions in the U.S. are superior to those in Britain.

Public non-profit housing in Britain (which accommodates some 31% of all households and some 39% of all manual workers' households) is,

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[*] Drawn from Holman, Socially Deprived Families, 86, 210, 211, 219.

Table 30

OVERCROWDING

		% of total households with density of population over 1½ per room (%)	Households with 5 or more persons in one room % of total households (%)	Households in shared dwellings % of total households (%)
	Great Britain	1.6	0.02	6.7
	England and Wales	1.2	0.02	7.3
	Greater London	2.4	0.04	24.2
LOWER-CLASS LONDON	Brent	3.7	0.06	35.8
	Camden	4.7	0.04	46.0
	Hackney	5.4	0.06	43.1
	Hammersmith	5.1	0.07	50.2
	Islington	7.1	0.13	57.4
	Lambeth	3.9	0.08	38.0
	Lewisham	2.1	0.03	27.5
	Southwark	3.0	0.04	32.7
	Tower Hamlets	4.3	0.06	20.6
	Wandsworth	2.4	0.04	35.0
	Birmingham	3.0	0.09	8.6
	Bradford	1.7	0.0	2.4
	Cardiff	1.0	0.01	13.0
	Coventry	1.5	0.01	2.7
	Glasgow	11.8	0.17	1.2
	Liverpool	2.6	0.08	8.4
	Manchester	2.1	0.02	7.6
	City "A"	2.6	0.07	4.4

SOURCE: 1966 Sample Census.

generally speaking, more modern, better equipped, better maintained, and more modestly priced than privately-owned rental property. Tables 32-36* spell out these facts. But a 1967 survey showed that about 40% of the families in private rental accommodations had no knowledge of their right to appeal rates they considered too high to rent tribunals; and of some 80,000 tenants who felt their rent "not fair and reasonable," only 5%

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*Drawn from Holman, pp. 62, 70, 73 and 78.

Table 31

HOUSING AMENITIES BY GROSS WEEKLY INCOME OF HEAD OF HOUSEHOLD, GREAT BRITAIN 1971

	No Bath or Shower %	Shared WC or None %	Central Heating %
Up to £10	18	7	17
Over £10-£20	11	4	22
Over £20-£40	5	2	36
Over £40	1	1	73

Source: Office of Population Censuses and Surveys 1973 cited in Young, Poverty Report, 1974, p. 134.

Table 32

LACK OF BASIC AMENITIES BY TENURE: ENGLAND AND WALES, 1967

(Percentages)

	Owner Occupied	Rented from L.A.s or new towns	Other tenures[1]	Closed[2]
Total Stock	50.8	27.1	21.4	0.7
AMENITIES LACKED				
Internal water closet	32.6	12.4	52.2	2.8
Fixed bath	26.8	4.4	65.1	3.7
Wash basin	27.9	15.8	53.7	2.6
Hot and cold water at three points	30.0	15.3	52.3	2.4
One or more of the amenities	32.7	17.1	48.1	2.1

[1] Virtually all are privately rented.

[2] Dwellings closed under Housing or Planning Act powers.

Table 33

THE YEAR IN WHICH ACCOMMODATION UNITS WERE BUILT ACCORDING TO TENURE TYPES, ENGLAND AND WALES*

Year Built	Owner Occupied	Local Authority rented	Privately rented			Other Types
			Unfurnished		Furnished	
			controlled	uncontrolled		
	(%)	(%)	(%)	(%)	(%)	(%)
Before 1919	40	7	77	74	75	52
1919-1944	35	29	19	15	20	14
1945-1960	14	52	3	6	3	20
After 1960	10	12	-	3	2	10
No information	1	-	1	2	-	4

*M. Woolf, The Housing Survey in England and Wales, Government Social Survey, 1967.

Table 34

THE YEAR IN WHICH DWELLINGS WERE BUILT ACCORDING TO TENURE TYPE SCOTLAND

(In Percent)

Year built	Owns/ is buying	Rents from council	Rents privately, etc.
Before 1861	7	-	6
1861-1880	15	1	22
1881-1900	26	2	48
1901-1918	17	1	15
1919-1944	22	32	8
1945 or later	12	64	1

Source: J.B. Cullingworth, Scottish Housing in 1965.

Table 35

NET INCOME OF HEAD OF HOUSEHOLD BY TENURE, SCOTLAND, 1965

(In Percent)

	Owns/is buying	Rents from council	Rents privately,etc.	Total
Up to £5	15	16	17	16
More than £5, to £- 10s.	7	11	10	10
More than £7 10s. to £10	8	11	13	11
More than £10 to £12 10s.	10	21	24	19
More than £12 10s. to £15	14	21	15	18
More than £15 to £30	18	15	12	15
More than £20 to £25	10	4	5	5
More than £25	17	1	4	6

Source: Cullingworth, Scottish Housing in 1965.

Table 36

CHARACTERISTICS OF HOUSEHOLDS OCCUPYING THEIR ACCOMMODATION UNDER DIFFERENT FORMS OF TENURE, ENGLAND AND WALES, 1964

(PERCENTAGE VALUES)

	Owner occupied	Local authority	Privately rented Unfurnished Controlled	Privately rented Unfurnished Uncontrolled	Privately rented Furnished	Other types	All types
1. Age of household head							
Up to 29 years	7	6	2	19	48	13	9
30-39 years	19	18	6	18	22	27	18
40-49 years	20	26	16	14	10	31	20
50-59 years	22	20	25	18	11	12	21
60-69 years	17	18	39	13	5	-	18
70 years and over	14	12	22	17	4	10	14
No information	1	-	-	1	-	-	-
2. Household type (a)							
Individual under 60	3	2	4	6	30	2	4
Small adult households	14	-	11	17	28	14	13
Small families	22	22	10	24	25	26	21
Large families	10	19	5	11	4	20	12
Large adult households	23	26	28	15	3	19	23
Older small households	27	23	41	27	10	19	27
Unclassified	1	1	-	-	-	-	-
3. Income of head							
Up to 5	10	13	23	16	6	10	13
£5 to £7 10s.	-	13	17	12	11	4	10
£7 10s. to £10	6	9	13	7	19	15	9
£10 to £12 10s.	10	16	16	19	17	20	14
£12 10s. to £15	16	24	16	18	14	12	18
£15 to £20	24	20	11	19	19	22	20
Over £20	27	5	5	12	12	17	16
4. Household size							
1	11	11	21	19	35	9	14
2	33	22	36	32	32	24	30
3	24	24	21	22	20	18	23
4	19	21	13	16	9	27	18
5	9	13	6	7	2	14	10
6 or more	4	9	3	4	2	8	5
No. of persons per household	2.95	3.47	2.58	2.76	2.18	3.39	3.0

has appealed to a tribunal.* (Indeed, landlords appear to use the tribunals at least as often as tenants, though the spirit of the legislation was to protect tenants.)

A 1966 survey revealed that some 54% of all poor families (45% of all low-earners, 60% of all sick or unemployed fathers, 56% of all fatherless families) were located in public ("Council") housing (compared to about 5% of all poor persons in the U.S.). A 1967 survey revealed that only 10% of those households in public housing had family incomes of over 30 pounds a week (about 20% above the average worker's wage in 1967). Some 41% of all public housing tenants were either in families headed by persons on "welfare" (27.6%), in families headed by pensioners without any other means than National Insurance (8.1%), or in families headed by persons receiving sick pay or unemployment benefits. Others (perhaps as many as 15%) were low-earners who were also below the "poverty line", though the elderly poor tend to outnumber the low-earning poor in public housing.** This distribution of public housing recipients by income status is quite comparable to that of the U.S.

For the past several decades property values have been rising rapidly in Britain, driving tenants out of privately-owned rental properties.*** A 1969 Housing Act permits grants of up to 1,000 pounds, on a 50-50 basis, to private landlords for improvement of rental properties for the purpose of enhancing the quality (heat, light, baths, toilets, drains, hot water, kitchen facilities, etc.) of the property.* But while this has undoubtedly had a favorable impact on the quality of existing housing, it obviously has no affect on the overall quantity of home units. One economist** recently recommended the abolition of low-rent freezes, coupled with compensatory means-tested rent allowances and rebates for public and private rental properties, which would bring public housing rentals to their true market level and thus both spur new private construction and drive well-to-do and low person/room ratio groups out of low-cost housing. The British are moving to this system,*** but face a problem with the entrenched power of local public housing councils, "each (with) its own ideas and standards for subsidizing poor tenants. Probably no two of their rent-aid schemes are alike, and there is no national information about their effectiveness in relieving poverty among public tenants."****

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*Holman, 188.

**Holman, Socially Deprived Families, 35; "Hunt the Bentley," The Economist (October 3, 1968): "Low income families, especially those with many children, wait longer than other people on the waiting list and are more likely to be housed in older council property".

***The Economist (Dec. 11, 1972).

3. Health

Let us first briefly sketch some differential health characteristics of the British population for purposes of comparison with those for the U.S. Infant mortality in Britain has declined from 31.4 per 1,000 live births in 1950 to 18.3 per 1,000 in 1968 (compared to a decline in infant mortality for whites in the U.S. of 26.8 per 1,000 in 1950 to 19.2 per 1,000 in 1968). However, the infant mortality for West Indians in Britain was 52 per 1,000 higher than the figure of 36.2 per 1,000 for blacks in the U.S. in 1968.* These West Indian (and other poor) mothers tend to experience inadequate education, inadequate diet, crowded living conditions, little rest or relaxation, and a high, cyclical rate of childbearing. Their consequent low state of health tends to a high incidence of prematurity, and they and their children still run the risk of dying from bronchitis, pneumonia, whooping cough and other infectious diseases. The children are more likely than those of affluent families to suffer from untreated visual or audial defects.** A 1966 Report found some 1,012,000 children in England and Wales with physical handicaps and some 1,061,000 with mental handicaps. Of these, 96,000 physically handicapped children and 183,000 mentally handicapped children were receiving help from one or another social service. Though considerable overlap of physical and mental handicap existed, it would appear that only about 1 in every 4 or 5 children in need of some service were actually receiving it.*** At any age, death rates for unskilled workers are twice those of professionals or managers.**** Table 37***** depicts variations in incapacity rates by occupational level, which variations are quite comparable to those in the United States. Similarly, in both Britain and the

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*Holman, 80.

**J.E. Meade, "Poverty in the Welfare State," Oxford Economic Papers, XXIV (Nov. 1972), 289-327, esp. 301-02.

***Young, Poverty Report, 1974, pp. 145-48.

****Holman, 35.

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*Odin Anderson, Health Care (1972); Holman, 212; Ken Coates & Richard Silburn, Poverty: The Forgotten Englishman (1970); our OEO Handbook, p. 115.

**Holman, p. 115.

***Holman, op. cit., 169.

****Michael Meacher, "The Coming Class Struggle," New Statesman (4 Jan. 1974), 7.

*****V. George, op. cit., 118.

Table 37

RATES (STANDARDIZED FOR AGE) OF INCAPACITY FOR SICKNESS FOR MEN BY SOCIAL CLASS

Occupational Group	Inception Rates	Days of Incapacity
All Occupations	100	100
Professional and Intermediate Occupations	64	50
Skilled Occupations	100	93
Partly Skilled Occupations	109	117
Unskilled Occupations	124	154
Occupation not known	86	98

SOURCE: Report on an enquiry, table 25, p. xcviii, Part II. HMSO, 1965.

U.S. there exists an inverse correlation between health needs and the availability of health services.*

Britain has fewer dentists per capita than the U.S., and it spends a smaller proportion of its GNP on health services than either Canada or the U.S. (4.5% in 1972 for G.B. compared to 6.3% in 1972 for the U.S. and 6.6% in 1972 for Canada). Moreover, while all three nations are increasing their expenditures for health services, Britain is increasing its expenditures at a slower rate (5.1% adjusted annual rate of increase for G.B., 6.5% for the U.S., 8.7% for Canada).** Despite this, Britons see a doctor about 33% more often than we in the U.S., and public opinion polls in Britain show "overwhelming satisfaction with National Health Services."***

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*Young, Poverty Report, 1974, 195-200.

**Joseph Simanis, Social Security Bulletin (March, 1973).

***O. Anderson, op. cit.; Rudolph Klein, "The Political Economy of National Health," The Public Interest (1971), 115.

Rudolph Klein finds fault with the "archaic" budgeting policies and hospital administrations of N.H.S. Until 1971, he notes, monies were disbursed according to prior, rather than current, needs. He finds the Hospital Advisory Service, created in 1969, to be a weak and deferential inspectorate-general. Others, like Richard Crossman, Sir Keith Joseph, Brian Abel-Smith, and Robert Holman, debate the degree to which N.H.S. management should be decentralized.* But H.C. Salter's recent remarks on N.H.S. would appear to me to place these shortcomings in proper perspective.

Salter points out that British hospital administration costs, as a percentage of all hospital expenses, are less than those in the U.S. The free-services nature of N.H.S. sharply reduces patient-expenses paper work. He also argues that state control of hospitals enables the State to ascertain costs, set standards, and (most important) control growth.** Moreover, the Department of Health oversees the costs of prescription drugs that G.P.s are prescribing and advises doctors of prescription patterns that appear unnecessarily expensive. Hence, the overall costs of British drugs have been rising at a lower rate than all of the rest of Europe. The Department of Health is also engaged in studies of the costs of a variety of illnesses and of the care of elderly patients (are services more effectively offered in the hospital or the community? in cash or in kind? etc.) Rudolph Klein feels that doctors, not politicians, run N.H.S., and that, indeed, doctors have more freedom from political interference under N.H.S. than do dentists, who are not included in N.H.S. If (as one of my colleagues, Jane Newitt, more knowledgeable than I in these matters recently suggested) the U.S. moves to strengthen Medicaid, Neighborhood Health Care Centers, etc.--that is, if we adopt a federally-funded health service that is primarily targeted on the poor and near-poor--then our politicians *may* be inclined (as my colleague suggested that they may) to intervene and hold costs and services to politically acceptable levels. But if *all* persons are included, as in Britain, one may expect that politicians will *not* intervene excessively, and that costs and services will be managed by medical professionals. The *existing* U.S. alternative--private management with soaring hospital costs (ultimately borne by the public anyhow), inadequate private medical insurance coverage of the poor[*], and inadequate medical service to the poor--seems utterly unacceptable.

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*Klein, op. cit.; Abel-Smith, "The Politics of Health," New Society (29 July 1971), 190-92; Holman, op. cit., 169.

**Salter, "Controlling the Cost of the British National Health Service", International Social Security Review, XXV, No. 1 (1972), 20-26.

4. Sickness Benefits

As is the case in much of industrial Europe, working Britons pay modest weekly fees to the government that provide (among other things) for sickness benefits. These consist of a flat-rate sickness benefit (over 312 million pounds paid in 1971) and an earnings-related supplement (61¼ million pounds paid in 1971) to persons with at least 6 months of contributions recorded (about 25 million persons in 1971) whose doctors indicate that they are too ill to work. Payments begin only after the first 3 days of illness (7 days in those states in the U.S. with such sickness benefits) at a level of up to 85% of their average pay for up to 7 months, at which time invalidity benefit (comparable to our OASHI pension) takes over. Only a handful of states (N.Y., N.J., R.I., Calif., Hawaii and P.R.) provide for such sickness benefits in the U.S., and none at more 55% of average salaries.* Tables 38-40** provide information on private sick pay schemes that were in effect in Britain in the early 1960s, designed to supplement the flat-rate sickness benefits in the days before the passage (1966) of the law establishing the earnings related sickness supplement, which was designed to counter the class bias of many of these schemes. Publicly-managed sick pay schemes would appear to be more equitable than privately-organized ones, if the case of Britain is to be regarded as prototypical.

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[*] In Britain 85% of all medical costs are provided by government, 15% by individuals. In the U.S. only 40% is provided by government.

5. Maternity Benefits

Only 2 states (N.J. and R.I.) provide any government-funded maternity benefits in the U.S. All British women receive at least 25 pounds above and beyond the free medical attention, and working women contributing benefit payments for at least one year receive a maternity benefit comparable to the sickness benefit for up to 11 weeks preceeding confinement and up to 7 weeks after confinement.***

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*"Social Security in Britain," Int. Social Security Rev., XXV (1972) 1950-55; Social Sec. Admin. Office of Research & Statistics, Social Security Programs Throughout the World, 1971 (1972), 230-233.

**V. George, Social Security, 125-128.

***"Soc. Sec. in G.H." Int. Soc. Sec. Rev., XXV (1972), 155; Soc. Sec. Admin., Office of RNs. & Stats., Soc. Sec Programs, 231, 233.

Table 38

QUALIFYING PERIODS OF EMPLOYMENT FOR PRIVATE SICK PAY SCHEMES

(in percent)

	None	6 Months or less	7-12 Months	Over 12 Months	At Discretion	Not Known
Men........	37.1	27.4	27.2	2.7	4.8	0.7
Women......	46.1	30.0	13.9	2.4	6.4	1.1

Table 39

SOCIAL CLASS AND COVERAGE OF PRIVATE SICK PAY SCHEMES

(in percent)

Social Class	Men	Single Women	Married Women
I Professional	88.1	88.8	88.1
II Intermediate			
III Skilled Occupations	57.3	70.7	59.5
IV Partly Skilled Occupations	52.2	35.6	34.6
V Unskilled Occupations	41.4	50.6	53.2

Table 40

MAXIMUM DURATION OF SICK PAYMENTS ACCORDING TO SOCIAL CLASS

(in percent)

Social Class	Less Than 2 Weeks	2-4 Wks.	5-13 Wks.	14-26 Wks.	27-52 Wks.	Over 52 Wks.	No Limit	At Employers Discretion	Not Stated
Men									
All Social Classes	0.6	5.6	39.3	14.2	11.1	0.7	3.5	23.6	1.4
Class I & II	0.4	3.5	12.3	13.3	28.3	0.7	5.5	34.2	1.8
Class III	0.6	6.4	39.4	13.7	8.7	0.8	4.2	25.0	1.4
Class IV	0.7	6.0	35.5	16.8	6.0	0.6	1.0	16.2	1.1
Class V	0.8	4.3	44.4	12.8	3.4	0.7	0.4	9.8	1.1
Women									
All Social Classes	1.4	9.5	20.1	14.9	19.9	0.4	1.6	28.6	3.7
Class I & II	0.4	2.8	9.3	12.3	58.9	0.2	0.7	13.7	1.9
Class III	1.8	11.6	19.3	12.5	10.5	0.4	2.3	37.0	[illegible].6
Class IV	1.3	11.2	32.5	26.2	5.2	0.6	0.8	18.9	3.2
Class V	0.4	5.7	51.3	21.0	3.2	0.7	--	16.7	1.1

6. Pensions and Other Services to the Aged

Britons have experienced a government-managed social security retirement plan in one form or another since 1908, but the modern system is based on the passage of the National Insurance Act of 1946. The flat-rate pension stipulated in that act, unadjusted for inflation and a rising standard of living, resulted in an increasing percentage of elderly pensioners applying for supplementary benefits ("welfare"). In 1962 some 37% of the elderly relied solely on National Insurance, "welfare," and other state-provided benefits (widow's benefits, war pensions, etc.) for all of their income.* Table 41** provides a break-down of pensioner-headed households who were also receiving other state benefits in 1968.

The 1957 Tory Government sought to relieve the pressure on the "welfare" system by allowing pensioners to return to (or to continue) free-time work without losing their benefits (a practice copied by Sweden in 1959 and by Norway in 1966). (Employment is still somewhat limited for pensioners in the U.S. until they reach age 72)***. Table 42**** shows the trend among elderly Britons away from post-retirement employment, a trend which for women may have been arrested by the 1957 law, but not for men.

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*Atkinson, Poverty in Britain, 32, 54.

**Ibid., 27.

***J. Pechman, et al., Social Security: Perspectives on Reform (1968); Social Security Administration, Social Security Programs Throughout the World, 230, 232. Married women in Britain who drop out of the labor market can continue to pay towards social security. (Dalmers Hoskins and Lenore Bixby, Women and Social Security (HEW, 1973), 53.

****V. George, Social Security, 162.

Table 41

PROPORTION OF HOUSEHOLDS RECEIVING NATIONAL INSURANCE BENEFITS WHICH ALSO RECEIVED SUPPLEMENTARY BENEFITS--DECEMBER 1968[a]

Households receiving:	Percentage receiving Supplementary Benefits
Retirement Pension	28.6
Unemployment benefit	20.2
Sickness benefit	14.5
Widows' benefits[b]	21.9

[a] These figures are provisional.

[b] Excluding widow's basic pensions.

Source: Annual Report of the Department of Health and Social Security for the year 1968.

Table 42

PERCENTAGE OF ELDERLY OCCUPIED IN GREAT BRITAIN

Year	65-69	Men 70 plus	65 plus	Women 65 plus	60 plus
1921.........	79.8	41.2	58.9	10.0	12.8
1931.........	65.4	33.4	47.9	8.2	11.0
1951.........	48.7	20.9	32.0	5.3	8.0
1961.........	39.0	14.9	24.5	5.5	9.9

Source: Censuses England, Wales, and Scotland.

A second effort to increase income among pensioners in a way that would reduce the need for supplementary benefits consisted of the 1961 graduated pension scheme, "the second pension," an earnings-related, tax-based fund. But single women constitute a disproportionate number of those elderly persons in need of "welfare" (they work less often for lower wages, thus earning fewer retirement credits), and "the second pension" did not provide much relief to them because of the low level of their earnings.*

In 1969 the Labour Government proposed to replace both the flat-rate and the graduated "second" pension programs with a single earnings-related (non-regressive) government pension system. But they lost out to the Conservatives in 1970 and the Conservatives substituted and enacted their own pension scheme, designed to reduce both the amount of supplementary benefit payments to the aged and to reduce the government's role in the retirement pension business. The Conservatives' system encourages private employers to buy into adequate inflation-proof, earnings-related private pensions plans approved by the Government. The new system will ensure that private pensions provide "vested rights" to contributors with over 5 years--right to transfer the value of his pension-contributions to another fund or to acquire a deferred pension from the company he left upon reaching retirement age.** I frankly see no overwhelming reason for anyone to prefer a myriad of small, relatively expensive, relatively uncertain, market-dependent private pension schemes to a single, central, government pension program.

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*Atkinson, Poverty in Britain and the Reform of Social Security, 59. Women contribute less than men toward the flat-rate retirement pension (men are considered responsible for their widows, while working women are not held responsible for widowers), but women paid more for the 1961 graduated "second pension," based on actuarial considerations. I do not believe that any such distinction is made in the U.S.

**Martin Tracy, "Proposed Pension Reform in the U.K.," Social Security Bulletin (1972); "Actuarial Memo on U.K. Social Bill", copy in the Social Security Administration, Office of Research and Statistics Library, Wash, D.C.

In any event, supplementary benefits continue to be needed by many pensioners as a 1966 Ministry of Pensions and National Insurance study (*Report of an Enquiry into the Financial and Other Circumstances of Retirement Pensioners*) made clear. Earlier studies in 1959 and 1962 had revealed that some 10% of pensioner households were eligible for "welfare" but were not receiving any.[*] The 1966 Report narrowed things down to those pensioners eligible for "welfare," and found that some 39% of those eligible were not claiming, many because of the stigma attached to receiving "the dole" (Table 43[**]). Somewhere between a half and three-quarters of a million pensioners eligible for "welfare" were not receiving them in the late 1960s[***] which is particuiarly expensive for them because Supplementary Benefits pay rent for virtually all pensioners in receipt of those benefits.

In 1967 the Labour Government launched a campaign to increase public awareness of available benefits, and welfare rights officers (ombudsmen) were created to help the poor cut through "means-tests" red tape.[****] But many elderly still do not "take-up" means-tested benefits.

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[*] Atkinson, *Poverty in Britain*, 56.

[**] *Ibid.*, 59.

[***] V. George, Social Security, 234; A.B. Atkinson, "Policies for Poverty", Lloyds Bank Review (April, 1971), 20.

[****] P.A. Burgess, "Rights Man In Welfare",New Society (Sept. 13, 1973), p. 642.

Table 43

RETIREMENT PENSIONERS NOT CLAIMING NATIONAL ASSISTANCE TO WHICH ENTITLED AND REASONS FOR NOT DOING SO BY AGE - JUNE 1965

(in percent)

	Percentage of those eligible not claiming			Percentage of those not claiming attributing it to pride, or to dislike of charity or National Assistance Board		
	Married Couples	Single Men	Single Women	Married Couples	Single Men	Single Women
Age:						
60-64	--	--	38	--	--	20
65-69	45	35	40	31	14	25
70-74	33	36	36	32	36	24
75-79	40	40	37	45	35	22
80-84	36	39	35	30	21	23
Over 85	37	42	39			
All Ages	39	38	39	33	27	23

Source: Financial and other circumstances of Retirement Pensioners.

Between 1948 and 1966 the proportion of "welfare" recipients who also received discretionary additional allowances (about 10% of the value of the supplementary benefit) for such needs as fuel, diets, domestic assistance and the like increased from 26% to 58%. Most were elderly. Tables 44 and 45* provide details. (Note the sharp rise in additional fuel needs).

In September of 1971 there were 5.5 home helpers per 1,000 elderly in Britain. British social planners hope to move to 12 per 1,000. There were 80 meals on wheels per week served per 1,000 elderly. Social planners hope to triple those figures. Rudolph Klein has recommended an increase as well in public housing for the aged and an increase in nurses visits to the elderly infirmary.**

7. Family Allowances and Family Income Supplement

Since 1945, families with more than one child have been receiving government payments for the care of dependent children. The Child Poverty Action Group (founded in 1965) has been lobbying for more support (without the stigma of a means-test) for low-income families, lobbying for a selective family allowance. A 1961 study showed that a typical couple incurred 31% additional expenses for the first child, only 24% for a

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*V. George, 220, 221.

***Canadian Welfare* (July-Aug., 1973), 7-8; Klein, *op cit*.

Table 44

NUMBER AND TYPE OF DIRECTIONARY ADDITIONS IN PAYMENT AT THE END OF EACH YEAR - GREAT BRITAIN

(in percent)

Year	Number Total	Type of addition as a percentage of total number				
		Laundry	Domestic Help	Special Diet	Additional Fuel	Other
1948	341	37.2	21.4	32.3	2.6	6.5
1956	1117	31.3	10.5	35.5	13.6	9.1
1965	2210	23.5	12.1	29.0	30.3	5.1

Source: Annual Reports, N.A.B.

Table 45

DISCRETIONARY ADDITIONS AND CATEGORIES OF ASSISTANCE RECIPIENTS, 1965 - GREAT BRITAIN

Category of Assistance Recipients	% who received Discretionary additions
Assistance paid in supplementation of insurance benefits:	
Retirement Pensions	73.0
Sickness and Industrial Injury Benefits	57.2
Widows' Benefits	49.2
Unemployment Benefit	16.4
Assistance paid in supplementation of non-contributory old age pension	44.4
Assistance to persons not receiving such pensions or benefits:	
Persons registered for employment	13.1
Persons not registered for employment:	
Persons over pension age	45.4
Persons under pension age	20.4
All Categories	57.9

Source: Annual Report N.A.B.

second, and only 20% for a third.[*] The Labour Government increased family allowances in 1966, with the results revealed in Table 46.[**] In 1968 the family allowances were raised again, but 49% of children in "poverty level" families before the 1968 rise were still in poverty after it.[***] The next step was "claw-back," a scheme by which family allowances were substantially increased and reductions made in income tax deduction allowances for children with the effect that much of the family allowances given to the well-to-do were "clawed back" in the form of income taxes. The 1971 Family Income Supplement permits up to 2 pounds payment for the first child (as well as more for additional children, up to a total of 5 pounds) for families with incomes of under 20 pounds a week (see column F of Table 47). But F.I.S. is a "means-tested" grant, requiring new applications every six months, and, despite aggressive publicity (the British do appear to be anxious to publicize their social welfare programs; they do appear to intend that citizens take advantage of them), only 15% of those eligible applied for F.I.S. in the first year of its existence. Once again, the shame of receiving "the dole" appears to be the primary stumbling block,[****] though it must be added that the means-tests themselves constitute a formidable stumbling block: Family Income Supplement

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[*] Holman, op. cit., 5; Townsend, op. cit., 98.

[**] Atkinson, Poverty in Britain, 85.

[***] V. George, Social Security, 197.

[****] Other examples of this unwillingness of Britons to "take-up" means-tested grants are discussed in George, op. cit., 234; Townsend, op. cit., 232; Holman, op. cit., 187-189; New Society (Oct. 25, 1973), 212; and Young, Poverty Report, 1974, 65 (where Tony Atkinson and Barry Trinder note that only about 55% of those eligible for rent and rate rebates are claiming them).

Table 46

EFFECT OF FAMILY ALLOWANCES AND OF 1966 INCREASE ON FAMILIES WITH LOW INCOMES WHERE FATHER IN FULL-TIME WORK

	1	2	3	
Families With	With incomes below National Assistance scale in 1966 ('000's)	Below National Assistance level in 1966 if no Family Allowances paid ('000's)	Raised above National Assistance scale in 1966 by 10s. increase in Family Allowances ('000's)	%
2 children	21	40	4	20
3 children	15	27	10	67
4 children	11	26	7	68
5 children	7	14	6	84
6 or more children	10	23	8	82
All Families	63	129	35	56

Notes: These figures are not adjusted for non-response.

It is assumed that all the families have incomes below the level at which they would begin to pay income tax.

It is assumed that families with 6 or more children have an average of 6½.

Source: Calculated from Circumstances of Families, table A-8.

must be applied for twice a year; housing allowance rebates, twice a year; rate tax rebates, twice a year; exemption from school meal charges, three times a year; and separate applications made for educational maintenance allowances, exemptions from payment for prescription drugs, dental work, spectacles, etc. As Brian Abel-Smith recently put it:[*] "Efficient claiming is now much more important for a family than getting a better paid job or working longer hours...". Recent studies of the U.S. welfare system make the same point.[**]

8. Low-Earners and the Negative Income Tax

Many of those below "the poverty line" in Britain are members of families whose heads work, but do not earn enough. Most of the working poor have been ineligible[***] for supplementary benefits ("welfare"), though they *have* been *eligible* for the family income supplement (column F of Table 47)[****], which is a *kind* of negative income tax for families with children, and for rent rebates (column H of Table 47), and a number of other services (columns J, K, and L). The Conservatives recently introduced legislation designed to eliminate means-tested supplementary benefits, family allowances, and child-care payments, and to replace them

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[*] Abel-Smith, *op cit.*, 217

[**] Subcommittee on Fiscal Policy of the Joint Economic Committee, 93rd Congress, 1st Session, *Studies in Public Welfare: Income Tested Social Benefits in New York*, by Blanche Berstein (July 8, 1973), and *Studies in Public Welfare: Paper 6* (August 6, 1973).

[***] Atkinson, *op cit.*, 35-41; Holman, *op cit.*, 161.

[****] Drawn from Martin Rein, "Recent British Experience with Negative Income Tax," *Journal of Human Resources* (Supplement, 1973), 82-83.

Table 47

WEEKLY EARNINGS, TRANSFERS, TAXES, AND MARGINAL TAX RATES AFTER 1971 BRITISH WELFARE REFORM FOR A MALE-HEADED FAMILY WITH TWO SCHOOL-AGE CHILDREN FOR OXFORD CITY[a]

(All figures in pounds and pence except tax rates, Col. 0)

A Weekly Earnings	B National Insurance Tax (5% of A to 17; then +4% of ΔA)	C Family Allowance	D Total Taxable Income (A+C)	E Income Tax (30% of D, Above 21.50)	F Family Income Supplement (50% of 22-A)	G Total Income for Housing Benefits (A+C+F)	H[b] New Rent Rebate	I[c] Property Tax Rebate	J[d] Free School Meals	K[e] Free Prescriptions	L[e] Optical-Dental Benefits	M Net Cash & In-Kind Income G - (B+E) +H+I+ J+K+L	N Change In Net Income (ΔM)	0 Marginal Tax Rate 1-(N/ΔA) %
12	1.03	.90	12.90	0	5.00	17.90	4.19	.80	.92	.50	.75	24.03	--	--
13.	1.08	.90	13.90	0	4.50	18.40	4.06	.80	.92	.50	.75	24.35	.32	68
14.	1.13	.90	14.90	0	4.00	18.90	3.94	.80	.92	.50	.75	24.68	.33	67
15.	1.18	.90	15.90	0	3.50	19.40	3.81	.80	.92	.50	.75	25.00	.32	68
16.	1.23	.90	16.90	0	3.00	19.90	3.69	.77	.92	.50	.75	25.30	.30	70
17.	1.28	.90	17.90	0	2.50	20.40	3.57	.65	.92	.50	.75	25.51	.21	79
18.	1.32	.90	18.90	0	2.00	20.90	3.49	.52	.92	.50	.75	25.76	.25	75
19.	1.36	.90	19.90	0	1.50	21.40	3.40	.40	.92	.50	.75	26.01	.25	75
20.	1.40	.90	20.90	0	1.00	21.90	3.32	.27	.92	.50	.75	26.26	.25	75
21	1.44	.90	21.90	.12	.50	22.40	3.23	.15	.92	.50	.75	26.39	.13	87
22.	1.48	.90	22.90	.42	0	22.90	3.15	.02	.92	0	0	25.09	-1.30	230
23.	1.52	.90	23.90	.72	0	23.90	2.98	0	.92	0	0	25.56	.47	53
24.	1.56	.90	24.90	1.02	0	24.90	2.81	0	.92	0	0	26.05	.49	51
25.	1.60	.90	25.90	1.32	0	25.90	2.64	0	.92	0	0	26.54	.49	51
26.	1.64	.90	26.90	1.62	0	26.90	2.47	0	.46	0	0	26.57	.03	97

[a] The data on which this table is developed appeared in an annual publication prepared by Tony Lynes for the Social Services Department in Oxfordshire entitled A Guide to Welfare Benefits in Oxfordshire, April 1972. The table was originally prepared by Leonard Hausman, but (additional changes) have been made to take account of the new nationally administered rent rebate scheme.

[b] The assumption is that the family pays £6.00 per week in rent. According to the new national legislation, the rebate scheme works as follows: Minimum needs for a married couple with 2 children is £20.25. When income equals needs, the minimum rent is reduced to 40 percent of the rent and the value of the rebate is the difference between the minimum rent and actual rent. When income is less than needs, the rebate is increased by 25 percent of the difference between income and needs. When income is greater than needs, then the rebate is reduced by 17 percent of the difference between income and needs. The rent rebate rules are given in: Social Services Department, A Guide to Welfare Benefits in Oxfordshire (April 1972), p. 5c.

[c] In a two-parent, two-children family, the property tax rebate is set at one-half of the tax up to an income of £19.75 per week. Above that income level, the rebate is reduced at a 25 percent rate. The gross property tax is assumed to be £1.60 per week.

[d] Over the entire calendar year, the average value of school meals is 46 pence per child per week. From the sum of earnings and family allowances, but not Family Income Supplements, a family deducts its net rent, net property taxes, and work-related expenses. For a family with two children, free meals are provided to both until net income reaches £15.75 per week; from that point up to the point where net income reaches £16.75 per week, only one child remains eligible for free school meals. Beyond £16.75 per week, both children are ineligible.

[e] Having no data, an average weekly value has been arbitrarily assigned to the pharmaceutical prescriptions and optical and dental benefits that the average family receives. A family loses its eligibility for these benefits when its income reduces its Family Income Supplement to zero.

Source: Social Security Bulletin (March, 1973), 38.

all with a single "tax credit" system of negative income tax.* The central innovative features of the "tax credit" system is the abolition of the F.I.S. "means-test." With the victory of Labour in the recent election everything is "up in the air."

9. Other Social Welfare Programs

Other social services of note include a government program for the mentally retarded, which provides for home visits and short-term care for families with mentally retarded children (but see page 55) and a 3% "hire-the-handicapped" quota for British industry (comparable to that of France).** Table 48*** gives a sense of the trend in social service expenditures in Britain.

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*See N.Y. Times, Oct. 11, 1972; The Economist (Dec. 2, 1972), 15-16.

**J. Simanis, Social Security Bulletin (May, 1970); Social Security Bulletin (March, 1973), 38.

***George, op cit., 64.

Table 48

EXPENDITURE ON PUBLIC AND SOCIAL SERVICES AS % OF G.N.P. UNITED KINGDOM

Year	Public Services	Social Services*	Social Security
1920	26.2	6.8	3.5
1938	30.0	11.3	5.5
1955	35.4	16.3	5.8
1965	38.5	20.7	7.8

*Social Services = Education, Child Care, Health, Welfare, Housing and Social Security.

Source: Annual Abstract of Statistics. Figures for 1920 and 1938 from The Growth of Public Expenditure in the U.K. Peacock and Wiseman, National Bureau of Economic Research, 1961.

Note: According to a different set of Social Security Administration figures (Social Security Bulletin, March 1973, p. 38), Britain spent 12.7% of its 1968 G.N.P. on social security (compared to 6% in Japan, 7.3% in the U.S., 16.5% in France, and 17.5% in W. Germany).

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Chapter III

POVERTY IN CANADA

By
Peter Karsten

POVERTY IN CANADA[*]

A. Characteristics of Canadian Poverty

Despite considerable official and unofficial attention in Canada to the question of poverty, there is, strictly speaking, no single officially adopted federal statutory definition of poverty. But there are three unofficial definitions of poverty.

In 1968 the Dominion's Bureau of Statistics estimated the number and percentage of poor in the 1961 census by defining the poor as those with incomes insufficient to purchase much more than the basic essentials of food, clothing and shelter. It then calculated the numbers of Canadians who spent 70% of their income or more on food, clothing and shelter (and also calculated an alternative population who spent 60% or more of their income on such basics). In 1961, 28.9% of the population (4.75 million of 16 million) were "poor" by the 70% standard (about 42% of the population were "poor" by the 60% standard),[**] The economy improved throughout 1960's, and W.E. Mann (1969) estimated that in 1965, by the 70% standard, about 21% of Canadians were in poverty.

Another definition of poverty was offered by a Special Committee of the (Canadian) Senate on Poverty in 1971. They set the "poverty line" at $2,140 1969 Canadian dollars for an individual, $5,000 1969 Canadian dollars for a family of 4. But they simultaneously proposed guaranteed incomes of $1,500 for that same individual and $3,500 for that same family of four.[*]

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[*] I want to thank Esther Adam and the international staff of S.S.A.'s Division of Research and Statistics for their help in preparing this paper.

[**] J.R. Poduluk, Incomes of Canadians (Dominion Bureau of Census Statistics Monograph, 1968).

Still another unofficial definition of poverty, or rather "low income," was that of the 1968 Economic Council of Canada, which regarded as "low income" all "nonfarm families with incomes below $3,000 per year in 1951." Maintaining constant 1951 dollars, the E.C.C. calculated that two-fifths of the population were "low income" in 1951, "slightly more than one-fifth in 1961, and slightly less than one-fifth in 1965."[**]

Using the E.C.C.'s "low-income families" definition, the E.C.C. and others have prepared several tables that illustrate the percentage of "low-income" Canadians among the population when it is organized by age, occupation, level of educational attainment, health characteristics, etc. These tables follow:

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[*] The Labour Gazette (February 1972), p. 66.

[**] Fifth Annual Review of the Economic Council of Canada, The Challenge of Growth and Change (Ottowa, 1968), p. 120.

SELECTED CHARACTERISTICS OF ALL NONFARM FAMILIES AND LOW-INCOME NONFARM FAMILIES
YEAR ENDING MAY 31, 1961

	(1) Number of Nonfarm Families	(2)	(3) Incidence of Low Income
	All Families	Low-Income Families	(2) as a percentage of (1)
	(000)	(000)	
Nonfarm Families	3,627	916	25
Place of Residence:			
Metropolitan	1,901	314	17
Other Urban	959	250	26
Rural	767	352	46
Region:			
Atlantic	349	158	45
Quebec	988	276	28
Ontario	1,363	254	19
Prairies	556	150	27
British Columbia	368	78	21
Sex of Head:			
Male	3,344	795	24
Female	283	121	43
Age of Head:			
Under 25	149	43	29
25-54	2,509	554	22
55-64	491	109	22
65 or over	478	210	44
Size of Family:			
Two	960	280	29
Three	734	148	20
Four	758	157	21
Five or more	1,175	331	28
Number of Children under 16:			
None	1,383	330	24
One	699	143	21
Two	679	156	23
Three or more	866	287	33

	(1) Number of Nonfarm Families	(2)	(3) Incidence of Low Income
	All Families	Low-Income Families	(2) as a percentage of (1)
	(000)	(000)	
Nonfarm Families	3,627	916	25
Labour Force Status of Head:			
In current labour force	2,996	573	19
Not in current labour force but worked during year	100	49	49
Did not work	531	294	55
Education of Head:			
No schooling or elementary only	1,681	625	37
Secondary, 1-3 years	1,068	208	20
Secondary, 4-5 years	551	62	11
Some university	137	13	9
University degree	190	8	4
Number of Earners in Family:			
No earners	268	217	81
One earner	1,870	529	28
Two earners	1,114	142	13
Three or more earners	375	28	7
Major Source of Income:			
Wages and salaries	2,909	533	18
Self-employment	306	76	25
Transfer payments	271	245	90
Investment income	75	26	35
Other income	55	25	45
No income*	11	11	100

* This relatively small group includes such people as recent immigrants and recently widowed women who had received no income in Canada over the period covered. SOURCE: Based on data from Dominion Bureau of Statistics.

Source: Fifth Annual Review of the Economic Council of Canada, The Challenge of Growth and Change (Ottowa, 1968), p. 111.

MALE HEADS OF FAMILIES BY SCHOOLING AND SIZE OF TOTAL FAMILY INCOME FOR NOVA SCOTIA, 1961

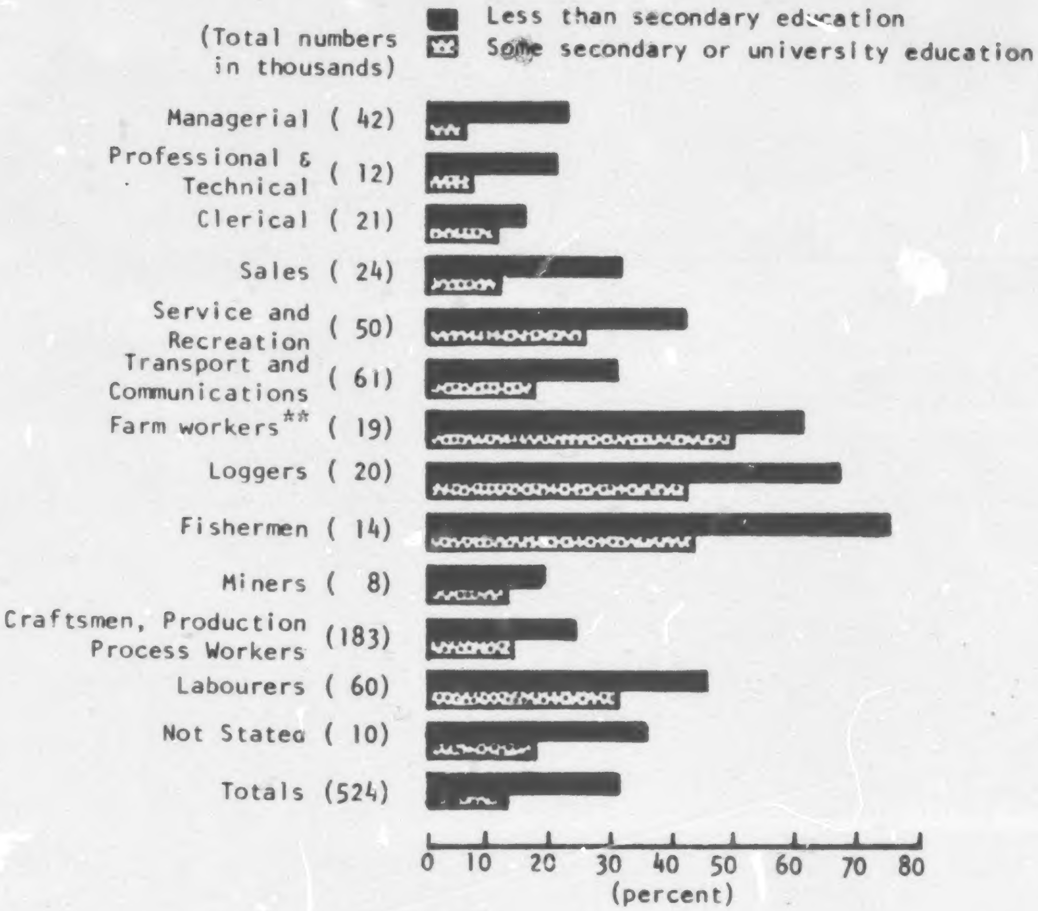
	Elementary[1]	As % of Total	Secondary	As % of Total	University[2]	As % of Total
Above $3,000	30,	49.8	49.050	77.0	8,932	92.2
$2,500-2,999	6,621	10.9	4,604	7.2	204	2.1
2,000-2,499	6,865	11.3	3,682	5.8	198	2.0
1,500-1,999	5,883	9.7	2,550	4.0	149	1.5
1,000-1,499	6,617	10.9	2,020	3.2	61	.6
Under $1,000	4,550	7.5	1,787	2.8	139	1.4
Total	60,889	100.0	63,693	100.0	9,683	100.0
Under $3,000	30,536	50.2	14,643	23.0	751	7.8
Average	$ 3,400		$ 4,843		$8,232	

[1] Elementary includes heads of families reporting no schooling.

[2] University includes heads of families reporting some university education.

Source: DBS, 1961 Census of Canada, Catalogue No. 98-504, Table D5.

OCCUPATIONAL GROUPS AND INCIDENCE OF LOW INCOMES BY EDUCATION, 1961*



* Includes all nonfarm family and nonfamily individuals under 65 years of age.

** See Notes to Table 6-4.

Source: W.E. Mann, ed., Poverty and Social Policy in Canada (1969) p. 63.

SELECTED OCCUPATIONS OF NON-FARM LABOUR FORCE RANKED BY AVERAGE ANNUAL INCOME FROM EMPLOYMENT, YEAR ENDING MAY 31, 1961

	Average Income
Kitchen helpers and related workers	$1602
Farm labourers	1695
Construction workers	1947
Teamsters	2064
Lumbermen	2083
Waiters and waitresses	2148
Service station attendants	2210
Textile and clothes workers	2221
Cooks	2695
Launderers and dry cleaners	2745
Taxi drivers	2792
Fruit and vegetable canners and packers	2813

From DBS 1961 Census of Canada, Incomes of Individuals.

Source: W.E. Mann, ed., Poverty and Social Policy in Canada (1969), p. 80. (Canada's work force is largely non-union; only 35% are organized.)

MONTREAL SAMPLE
HEALTH COMPARED TO MONTHLY INCOME

	Under $100 N = 30	100-199 N = 50	200-299 N = 60	300-399 N = 54	400-499 N = 22	500 + N = 21
% in good health	23.3	52.0	68.3	70.4	86.4	90.4
% in poor health	46.7	26.0	13.3	14.8	0	4.8
Mean days in hosp.	3.1	9.4	2.7	2.8	1.4	4.0
Mean days off work or unable to perform duties	18.7	15.7	9.2	6.3	3.7	9.0

Source: W.E. Mann, p. 102.

MONTREAL SAMPLE
MENTAL HEALTH AND INCOME

Income shows a direct relationship with mental health. Scores decrease as incomes increase:

Monthly Income	N	Mean Score
Less than $150	57	6.2
$150-200	28	4.4
$200-400	113	2.7
$400-600	32	2.3
$600 and plus	11	1.1

Source: W.E. Mann, p. 104.

MONTREAL CHILDREN'S PROBLEMS*

	N	Mean Score
Under $199	19	2.1
$200-299	26	1.8
$300-399	19	.8
$400 and plus	17	.8

*Based on such problems as bedwetting, truancy, stealing, withdrawal, speech troubles, fighting.

Source: W.E. Mann, p. 106.

Correlations of ethnicity and income also suggest that Indians, Esquimau, Metis, Chinese immigrants, Eastern European immigrants, blacks and French Canadians do not fare as well as English Canadians.* For example, in 1965 the Indian Affairs Branch estimated that 78.5% of Indian households had less than $3,000 a year, and 54.5% had incomes of less than $2,000. And while overall Canadian infant mortality rates per 1,000 live births were 21.98 in 1967, Indian infant mortality rates per 1,000 live births, averaged over 1965-1968, were 51.89, two and one-half times the rate of non-Indian Canadians.** Similarly, a study of blacks in the Halifax, Nova Scotia, area suggest that blacks in Canada are no better off than their counterparts south of the border (see tables).

Statistics Canada's estimate of the extent of poverty in 1967 (reported in The Labour Gazette, February, 1972, 60-65) notes that 63% of the heads of low-income families worked for at least part of the year, and that 37% worked full time during the year (figures comparable to those for U.S. poverty-level heads of families). Of the 37% of the poor who did not work, "80% were either families headed by persons 65 or over, or women,"*** figures again comparable to those for the U.S.

While only 23% of the heads of low-income Canadian families were over 65 in 1961, that figure had risen to 27% by 1967, a trend again comparable to that of the poverty sector of the U.S.

Income distribution in Canada is also comparable to income distribution in the U.S.

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*W.E. Mann, ed., Poverty and Social Policy, p. 94.

**E.E.C., Challenge of Growth and Change, 121 n; Special Committee of the Senate on Poverty, A Review of the Role of the Department of National Health and Welfare in Relation to Poverty (Feb., 1970), p. 51.

***Statistics Canada, Statistics on Low-Income in Canada, 1967, cited in The Labour Gazette (Feb., 1972), p. 64.

APPROXIMATE DISTRIBUTION OF ANNUAL INCOMES AMONG MALE AND FEMALE MEMBERS OF THE LABOUR FORCE FOR MID-CITY NEGROES, AFRICVILLE NEGROES, AND THE WHOLE CITY OF HALIFAX

Income	Mid-City Negroes			Africville Negroes			Whole City of Halifax		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Under $1000	13%	19%	32%	22%	13%	35%	7%	13%	20%
$1000-1999	19	12	31	21	15	36	26	13	39
$2000-2999	23	3	26	24	1	25	23	4	27
$3000-3999	8	1	9	3	0	3	8	1	9
$4000 & over	2	0	2	1	0	1	5	0	5
TOTAL	65%	35%	100%	71%	29%	100%	69%	31%	100%

Negro figures are from 1959 survey; city figures from 1951 census. Zeroes mean less than half of one per cent.

Source: W.E. Mann, ed., Poverty and Social Policy, p. 339-40.

NUMBER OF WEEKS EMPLOYED ANNUALLY BY MALE AND FEMALE MEMBERS OF THE LABOUR FORCE FOR MID-CITY NEGROES, AFRICVILLE NEGROES, AND THE CITY OF HALIFAX

No. of Weeks Employed	Mid-City Negroes			Africville Negroes			Whole City of Halifax		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Under 10	9%	5%	14%	13%	1%	14%	1%	1%	2%
10-19	6	3	9	10	2	12	2	1	3
20-29	9	6	15	11	5	16	3	1	4
30-39	5	3	8	7	0	7	3	1	4
40-49	4	2	6	3	1	4	3	2	5
50 and over	32	18	50	29	18	47	58	24	82
TOTAL	65%	35%	100%	73%	27%	100%	70%	30%	100%

Negro figures are from 1959 survey; city figures are from 1951 census. Zeroes mean less than half of one per cent.

Source: W.E. Mann, ed., Poverty and Social Policy, p. 339-40.

CONDITION OF 134 NEGRO DWELLING UNITS ON MAYNARD AND CREIGHTON STREETS IN CENTRAL HALIFAX

	Yes	No	Not Known
No major repair needed	69	64	1
Bathroom	58	75	1
Private bathroom	17	116	1
Mechanical hot water	37	92	5
Owned by occupant	45	89	0
White neighbours adjacent or in same house	92	42	0
Family likes area	96	37	1

Source: W.E. Mann, ed., Poverty and Social Policy, p. 339-40.

B. Characteristics of Government Policies and Programs

In general, Canada's social welfare programs resemble those of the U.S. and have similar histories, but there are some differences worth noting.

The similarities include: (1) the fact of regional variations in assistance levels (see table); (2) the doubling of welfare recipients between 1959 and 1969 (a function of increased publicity, increases in benefits and eligibility, and some politization of the poor); (3) the creation of legal services for the poor (comparable to our Neighborhood Legal Services); (4) the concern of Canadian anti-poverty warriors to spur economic development in depressed areas, to move the unemployed and underemployed to boom areas, and to provide job development for the "hard core" unemployed;* (5) the problem some perceive in the fact that income assistance ("welfare") payments now approach or pass minimum wage-level earnings** (see table); (6) the fact that a negative income tax-guaranteed annual income proposal has been bogged down since its introduction in 1971; (7) the fact that both unemployment insurance and workman's compensation benefits are scaled according to earnings, causing low minimum benefits;

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*See the discussion of the Gaspé and Lower St. Lawrence Region program (comparable to some E.D.A. Appalachia programs here) of economic development and relocation in E.C.C., Challenge of Growth and Change, 130, the discussion of Manitoba's "Targets for Economic Development Commission" (also like E.D.A.) in The Economist (Oct. 12, 1968), p. 78, T.J. Courchene, op. cit., and E.E.C., Challenge, 128.

**In this regard it is interesting to note that one Canadian government study of poverty recently noted that the government was watching for the results of the New Jersey welfare payment variations experiment, and that both the official and unofficial 1971 poverty reports recommended a shift to a guaranteed annual income negative income tax plan, with work-incentive increments.

MONTHLY BUDGET STANDARDS FOR ITEMS OF BASIC NEED BY TYPE OF FAMILY AND PROVINCE
DECEMBER 1969

	Nfd. 1/	P.E.I. 2/	N.S. 3/	N.B. 4/	Ont. 5/	Man. 6/	Sask. 7/	Atla. 8/	B.C. 9/
ADULTS									
Single living alone	$ 90	$131	$ 41.80	$117.00	$105	$101.60	$ 88.60		$ 75
Married Couple	165	175	78.80	143.33	181	166.80	132.35	not specified	125
FAMILIES WITH CHILDREN									
One parent with									
girl 8	150	158	72.40	137.00	173	165.40	121.00		133
boy 8, girl 13	175	190	118.20	161.33	207	200.30	161.30		166
boy 16	150	163	85.20	141.33	187	175.70	130.35		133
Two parents with									
one child 6	190	202	103.20	163.33	206	205.30	166.70		158
two children: girl 8, boy 13	215	234	148.00	187.66	245	246.10	202.20		191
three children: boys 6 and 11, girl 9	240	255	159.00	202.33	274	267.40	235.00		224
four children: girl 4, boys 7 and 9, girl 12	265	285	195.50	224.66	303	303.40	258.10		257

Note: Actual allowances granted may be subject to ceilings (see text and footnotes) and do not necessarily correspond to the budget standards. Municipalities which administer assistance may supplement provincial allowances.

1/ Exclusive of fuel allowance ($15 a month).

2/ Exclusive of fuel allowance, which may be paid on basis of actual cost.

3/ Exclusive of rent, fuel and utilities which together may not exceed $115. Provincial maximum allowances are set as follows: $75 for women 60-65 years who are single, widowed, deserted, divorced or unemployed; $100 for disabled persons and persons 65 or over; $175 for families.

4/ Exclusive of fuel allowance which may be paid on the basis of actual cost. Amounts specified for the various items of basic need are maximum amounts and the total allowance may not exceed an amount considered to be a reasonable standard in the community.

5/ Rent for heated premises.

6/ Exclusive of fuel and utilities which are paid on the basis of actual cost.

7/ Exclusive of fuel allowance which may be granted according to provincial schedule or on the basis of actual cost.

8/ Amounts for provincial allowances are specified for food and clothing only; other rates are set at community standards. Rates are not specified for municipal allowances.

9/ Includes fuel.

Source: Canada, Special Committee of the Senate on Poverty, A Review of the Role of the Department Of National Health and Welfare in Relation to Poverty (Feb. 1970). (Copy with International Staff, S.A.A. Library.)

(8) the creation of Wisconsin-like poverty research groups; and (9) the fact that most adults dependent on welfare have no alternative means of support. According to the 1971 Senate report, some 84% are either aged, sick, disabled or women with dependent children; 3% are of the working poor; 12% are the "hard core" unemployed.* (A detailed survey of a sample of welfare recipients confirms this Senate finding. [See table]).

The differences are: (1) Canada's family allowance for children, which was created in 1944 not to increase the population but to provide steady income to poor and near-poor and to shift some funds to families in recognition of the costs those families incur in raising Canada's next generation.** It can be argued that this payment for child care, which goes to all Canadians (unlike its British "clawback" counterpart) has its U.S. counterpart in our income tax dependency deduction, but Canada also offers tax deductions for children, and in July of this year the government introduced a bill that would triple the size of these family assistance payments (from an average of $16.00 per family per month to an average of about $45.00 per family per month) and scale the distribution of such dollars by need (so that low-income families might receive as much as $80.00 or $90.00 per month, high-income families $10.00 or less). In Quebec the family allowance for children has, since 1967, been comparable to the French allowance--that is, it is two and one-half times larger than the allowances for the rest of Canada and it increases with each individual child ($15.00 per month for one child, $32.50 for two, $52.50 for three,

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*The Labour Gazette (Feb., 1972), p. 63.

**One supporter for the 1944 bill noted that 84% of Canada's children under 16 were being raised by 19% of the gainfully employed. (Social Security Bulletin, May, 1972, p. 19.)

[illegible] of minimum wage rates and provincial assistance rates for families of 4, 5 and 6 persons, as at December 1, 1970

	CURRENT MINIMUM WAGE RATE[a]			PROVINCIAL ASSISTANCE RATES[b] FOR A FAMILY OF:					
				4 PERSONS[c]		5 PERSONS[d]		6 PERSONS	
PROVINCE	PER HOUR	PER MONTH	ANNUAL WAGE 2080 HOURS	MONTHLY	ANNUAL	MONTHLY	ANNUAL	MONTHLY	ANNUAL
Newfoundland	$1.25	$217.00	$2600	$230[f]	$2760	$255[f]	$3060	$280[f]	$3360
PEI	1.25	217.00	2600	244[g]	2928	270[g]	3240	305[g]	3660
Nova Scotia	1.25[h]	217.00	2600	263[i]	3156	274[i]	3288	310[i]	3720
New Brunswick	1.15	199.00	2392	188[j]	2256	202[j]	2424	224[j]	2688
Quebec	1.40[k]	243.00	2912	218[l]	2616	232[l]	2784	243[l]	2916
Ontario	1.65	286.00	3432	271	3252	303	3636	335	4020
Manitoba	1.50	260.00	3120	246	2952	267[m]	3208	303[m]	3640
Saskatchewan	1.25	217.00	2600	215[n]	2580	250[n]	3000	275[n]	3300
Alberta	1.55	269.00	3224	335[o]	4020	365[o]	4380	395[o]	4740
BC	1.50	260.00	3120	211[p]	2532	249[p]	2988	287[p]	3444

SOURCE: *Monthly Budgets for Items of Basic Need under Provincial Social-Assistance Programs.* Revised December, 1970. Research Division, Department National Health and Welfare.

a Rates quoted are general minimum rates. General rates for women in 3 Atlantic provinces (Nfld., PEI, NS) are less than those for men: in Nfld. $1.00; in PEI $.95; in NS $1.00.

b Basic rates only for food, clothing and shelter. (Rent allowance note included for Nova Scotia.) All provinces make provisions for increased allowances under special circumstances (e.g., special diet; increased rent where necessary). Most provinces pay medical and hospital care and also the cost of drugs where necessary. These cases should only be considered as approximations since every individual and family is different. See other footnotes.

c 4 persons - i.e., 2 adults and 2 children; girl 8 years and boy 13 years.

d 5 persons - i.e., 2 adults, and 3 children; boy 6, 1 girl 9, and boy 11.

e 6 persons - i.e., 2 adults and 4 children; girl 4, boys 7, 9, and girl 12.

f Urban rates, including fuel allowance.

g Urban rates.

h Minimum wage rate will be increased at January 1, 1971 to $1.30 for men and $1.10 for women, and at July 1, 1971 to $1.35 for men and $1.20 for women.

i Amounts shown include approximate allowances for rent, fuel and utilities, which together could amount to a maximum of $115.00 per month. However a ceiling of $175 is set for a family receiving a provincial allowance. Supplements may be given by the municipality - e.g., in the *City of Halifax* approximate monthly amounts for a family of 4 would be $278.00, for a family of 5 - $292.00, and for a family of 6 - $315.00.

j Urban amounts including a maximum of $60 per month for shelter. In most cases rent is paid in full. Utilities and fuel are excluded from amounts shown above. However, these 2 items are paid on basis of actual cost.

k Minimum wage rates will be increased as follows: at May 1, 1971 to $1.45 per hour and at November 1, 1971 to $1.50 per hour.

l Lodging, food, clothing, personal and household expenses; urban area.

m Exclusive of fuel and utilities which are paid on the basis of actual cost.

n Amounts include $75 per month for rent. Amounts include monthly allowances of $50, $55, and $60 for rent. However, the full rent may be paid in some cases. Fuel is usually paid on the basis of actual cost and is not included in the monthly amounts of $215, $250, and $275 as shown in the above table.

o Set amounts are only given for food and clothing. However, it is possible for families to receive the amounts shown when rent, fuel, electricity are shown at cost, and approximately $20 per month for personal allowances is included. (As per telephone conversation with official of Department of Social Development, Alberta.)

p Does not include coverages. An additional amount of up to 50 per cent may be allowed for rent, or the actual rent may be paid.

CLASSIFICATION OF FAMILIES AND INDIVIDUALS BY REASON FOR PUBLIC ASSISTANCE

Unable to Work because of Illness or Incapacity	Unable to Work because of Age	Parent with Dependent Children	Able to Work but Temporarily out of work	Inadequate Income	Total No.
62	22	71	10	19	184
		Percent Distribution			
33.7	12.0	38.6	5.4	10.3	100.0

$77.50 for four, etc.). It is explicitly designed to spur the growth of Quebec's population.

(2) The 1967 "guaranteed income supplement" for the flat rate Old Age Security pensions (a kind of negative income tax) ensures that nearly all Canada's aged are now at or above the poverty level. (Our own "supplemental security income" comes close, but requires additional state supplements for those still in need, and not all states offer such supplements.)

C. The Future

The 1971 Senate poverty committee report recommended, and it is possible that the Canadians will eventually have, a guaranteed annual income (with regional variations allowed), using a negative income tax basis; the growth of labor unions; more paraprofessional job development;* a steady raising of minimum wage rates; more child-care services; and the continued development of health services for Indians, Metis, and Esquimau.

Appendices

I include 3 more tables, which display various social welfare expenditures over time as a percent of all federal expenditures and as a percent of GNP in Canada (Tables 1 and 2), and the two proposed guaranteed income plans with corresponding "break-even" (no negative or positive income tax) levels, accompanied by the income tax exemption level now in effect (Table 3).

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*In this regard, the Senate report noted that the growth of the health industry in Canada provided many paraprofessional jobs for low-income Canadians.

Table 1

DEPARTMENTAL EXPENDITURES ON SPECIFIED ITEMS OF SOCIAL SECURITY, TOTAL AND AS A PERCENTAGE OF ALL FEDERAL EXPENDITURES 1959-60 TO 1968-69

SOCIAL SECURITY PROGRAMS	1959-60		1960-61		1961-62		1962-63	
	Total	%	Total	%	Total	%	Total	%
	$'000		$'000		$'000		$'000	
Old Age Security	574,887	8.9	592,413	8.8	625,108	8.5	734,382	9.9
Guaranteed Income Supplement	-	-	-	-	-	-	-	-
Canada Pension Plan	-	-	-	-	-	-	-	-
Family Allowances	491,214	7.6	506,192	7.5	520,781	7.1	531,566	7.2
Youth Allowances(1)	-	-	-	-	-	-	-	-
Family Assistance	(2)	-	(2)	-	(2)	-	(2)	-
Canada Assistance Plan(3)	-	-	-	-	-	-	-	-
Unemployment Assistance(3)	40,166	0.6	51,520	0.8	92,044	1.2	96,477	1.3
Blind Persons Allowances(3)	4,197	0.1	4,162	0.1	4,130	0.1	4,882	0.1
Disabled Persons Allowances(3)	16,051	0.2	16,386	0.2	16,434	0.2	19,634	0.3
Old Age Assistance(3)	30,349	0.5	30,657	0.5	30,811	0.4	38,179	0.5
National Welfare Grants	-	-	-	-	-	-	157	-
Hospital Insurance and Diagnostic Services(3)	150,593	2.3	189,369	2.8	283,883	3.9	336,673	4.5
Health Grants(3)	31,057	0.5	30,398	0.5	30,000	0.4	30,295	0.4
Hospital Construction Grants	14,941	0.2	17,595	0.3	19,000	0.3	20,000	0.3
Contributions under Health Resources Fund Act	-	-	-	-	-	-	-	-
Medical Care Insurance	-	-	-	-	-	-	-	-
Indian and Northern Health Services(4)	21,549	0.3	23,005	0.3	23,970	0.3	23,083	0.3
Other(5)	16,586	0.3	17,862	0.3	19,223	0.3	21,502	0.3
TOTAL DEPARTMENTAL EXPENDITURES (Incl. O.A.S., G.I.S. and C.P.P.)	1,391,590	21.5	1,479,560	22.1	1,665,384	22.7	1,856,830	25.1
TOTAL FEDERAL EXPENDITURES (National Account Basis)	6,490,000	100.0	6,709,000	100.0	7,335,000	100.0	7,396,000	100.0

Table I (cont'd)

1963-64		1964-65		1965-66		1966-67		1967-68		1968-69	
Total	%	Total	%	Total	%	Total	%	Total	%	Total	%
$'000		$'000		$'000		$'000		$'000		$'000	
808,391	10.6	885,294	11.0	927,299	10.8	1,033,408	10.4	1,153,284	10.3	1,296,849	10.4
-	-	-	-	-	-	39,598	0.4	234,835	2.1	244,470	2.0
-	-	-	-	-	-	51	-	1,269	-	15,567	0.1
538,312	7.1	545,775	6.8	551,735	6.4	555,795	5.6	558,774	5.0	560,186	4.5
-	-	26,870	0.3	46,469	0.5	47,396	0.5	49,427	0.4	52,457	0.4
(2)	-	(2)	-	2,770	-	3,757	-	4,212	-	3,468	-
-	-	-	-	-	-	10,496	0.1	225,611	2.0	256,806	2.1
107,371	1.4	107,553	1.3	101,707	1.2	143,271	1.4	6,122	0.1	1,049	-
4,988	0.1	5,625	0.1	3,632	0.1	3,377	-	2,314	-	2,057	-
20,207	0.3	23,365	0.3	14,979	0.2	15,026	0.2	7,064	0.1	6,398	0.1
39,208	0.5	44,991	0.5	26,981	0.3	19,751	0.2	8,951	0.1	3,370	-
343	-	635	-	1,132	-	1,278	-	1,887	-	1,999	-
392,244	5.1	433,882	5.4	319,606	3.7	397,390	4.0	468,611	4.2	561,933	4.5
30,995	0.4	35,187	0.4	27,856	0.3	28,644	0.3	29,630	0.3	29,997	0.2
22,000	0.3	21,512	0.3	17,622	0.2	16,474	0.2	16,402	0.1	14,009	0.1
-	-	-	-	-	-	4,705	0.1	32,645	0.3	33,923	0.3
-	-	-	-	-	-	-	-	-	-	32,966	0.3
28,591	0.4	30,602	0.4	32,511	0.4	35,439	0.4	39,923	0.3	44,098	0.4
19,596	0.2	21,599	0.3	33,633	0.4	41,521	0.4	48,238	0.4	75,439	0.6
2,012,246	26.4	2,182,880	27.1	2,107,932	24.5	2,397,371	24.2	2,889,199	25.7	3,240,081	26.0
7,609,000	100.0	8,067,000	100.0	8,595,000	100.0	9,901,000	100.0	11,236,000	100.0	12,482,000	100.0

(1) Excludes payments to Quebec under the Federal-Provincial Fiscal Revision Act, 1964.

(2) Under the administration of another federal department.

(3) Excludes payment to Quebec, effective April 1, 1965, under the Established Programs (Interim Arrangements) Act.

(4) Includes other inseparable minor items.

(5) Includes administration expenditures.

Table 2

GOVERNMENT EXPENDITURES ON HEALTH AND SOCIAL WELFARE, AND ON TOTAL SOCIAL SECURITY AS A PERCENTAGE OF GNP, FISCAL YEARS 1959-60 TO 1968-69, INCLUSIVE

	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69
					($ Millions)					
Gross National Product	35,482	36,293	38,202	41,123	44,358	48,364	53,636	59,265	63,016	69,000^{e}
Government Expenditures on:										
Health	819	934	1,126	1,247	1,334	1,542	1,681	2,018^{a}	2,439^{a}	2,744^{a}
Social Welfare	2,210	2,423	2,563	2,651	2,735	2,912	3,046	3,373^{a}	4,114^{a}	4,576^{a}
Total Social Security	3,029	3,357	3,689	3,898	4,069	4,454	4,727	5,391^{a}	6,553^{a}	7,320^{a}
					(Percent)					
Per cent of GNP of expenditures on:										
Health	2.3	2.6	2.9	3.0	3.0	3.2	3.1	3.4	3.9	4.0
Social Welfare	6.2	6.6	6.7	6.5	6.2	6.0	5.7	5.7	6.5	6.6
Total Social Security	8.5	9.2	9.6	9.5	9.2	9.2	8.8	9.1	10.4	10.6

(a) includes estimated data.

Table 3

POVERTY LINES AND INCOME GUARANTEES

	Senate Poverty Report		"Real Poverty Report"		Actual Income Tax Exemption Levels (1972)
Family Size (1)	Income Guarantee (2)	Implied Break-even Level (Exemption Level)* (3)	Income Guarantee (4)	Implied Break-even Level (Exemption Level)[a] (5)	Exemption Level[b] (6)
1	1500	2140	1750	2916	1600
2	2500	3570	2925	4875	2950
3	3000	4290	3514	5856	3250
4	3500	5000	4100	6833	3550
5	4000	5710	4686	7810	3850
6	4500	6430	5531	9218	4150
7	5000	7140	5531	9218	4450
10	6500	9290	5531	9218	5350

Notes: The Senate Report refers to the break-even level as the "poverty line." In terms of tax legislation, it would be referred to as "exemption level."

*Assumes a 70 per cent tax rate on other income. Therefore the break-even level is 10/7 of the income guarantee.

[a] Assumes a 60 per cent tax rate on other income so that the break-even level is 5/3 of the income guarantee.

[b] Includes the $100 standard deduction and $300 for each child dependent.

Source: Thomas Courchene, "The Poverty Reports...," Canadian Public Administration (Fall, 1973).

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Chapter IV

SOCIAL INSURANCE PROGRAMS IN THE FEDERAL REPUBLIC OF GERMANY

By
Doris Yokelson

SOCIAL INSURANCE PROGRAMS IN THE FEDERAL REPUBLIC OF GERMANY

A. An Historical Overview

In West Germany, social insurance programs have been historically conceived as protection or benefits given to those who are working or have worked. Today's programs, comprehensive as they are, remain grounded in the concept of work and the working experience of the individual.

> Germany's social order is based on the assumption that every man is under a primary obligation to provide for himself and his dependents. No one can transfer that responsibility to the shoulders of the state. At the same time, all those who through no fault of their own are in need, must be provided for "by law."*

Thus the system of social security, based on the contributions of the employer and the employee and augmented by government funds--which includes pension insurance, health insurance, accident insurance, unemployment insurance and children's allowance--serves as the core of the social insurance program and provides most of its benefits. In 1972, social security outlays amounted to about 70% of all social insurance benefits.

> Germans take it for granted today that they will always be shielded against want, illness, old age and other problems arising out of socio-economic conditions.
>
> German social policy was first introduced by the Imperial German Government on November 17, 1881--almost a century ago. Conceived at first as legislation to protect wage-earners, its goals and methods were delineated by the legislature to coincide with the organic evolution of society as a whole....
>
> Reform and evolution have been the guiding principles of this social policy....throughout this process, the worker was increasingly transformed from a passive object of authoritarian rule to an active element in the society.
>
> Social policy was aimed at overcoming or reconciling the conflicting interests of different economic groups.

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*Germany: Approach to Social Policy, German Information Center, New York, New York.

- This meant strengthening any social group in a weak or disadvantaged position--wage earners, farmers, professionals in the arts, independent artisans, white-collar workers.*

A brief review of the history of German social insurance will illustrate this progressive development of social benefits:**

November 17, 1881 -- The first comprehensive body of legislation in the world intended for the security of the workers inaugurated by Imperial Decree.

1883 -- The Law on the Health Insurance of Workers.

1884 -- The Law on Industrial Injuries Insurance.

1889 -- The Law on Disablement and Old Age Pensions Insurance.

1911 -- The three laws above codified into a uniform body of legislation called the Imperial Insurance Code, which is still valid.

-- The Law on the Insurance of Non-Manual Workers.

1923 (Revised 1926) -- The Law on the Miners' Insurance Special Scheme. This codified the widely dispersed provisions of various land laws governing the oldest sector of German Social Security.

1927 -- The Law on Labour Placing and Unemployment Insurance.

1922-1928 -- Considerable improvements in benefits under Pensions Insurance.

1930-1932 -- Reductions due to Emergency Regulations

1934 to World War II -- Numerous amending laws and regulations leading to not inconsiderable changes in the structure of the German social insurance system, in particular the Reconstruction Law and its implementing regulations.

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*Ibid.

**From Survey of Social Security in the Federal Republic of Germany (Bonn, West Germany: The Federal Minister for Labour and Social Affairs, 1972), pp. 21-24. This report covers the social insurance position as of June 1970.

1938 -- The Self-Employed Artisans Pension Law.

1949 -- The Social Insurance Adjustment Law. This launched a whole series of Benefits Improvement Laws. During this period the organization and jurisdiction of social insurance was consolidated and partly revised.

1957 -- The reform of Pensions Insurance reached its high point in the three Laws on the Reform of Pensions Insurance. In twelve successive years (1958-1970), pensions were adjusted to economic developments.

-- The Agricultural Old Age Benefits Scheme (amended and considerably extended and improved in 1969).

1960 -- The Self-Employed Artisans Insurance.

1965 on -- A large number of improvements governing the assessment of pensions. After the 1966-1967 economic recession, the financial bases of pensions' insurance were consolidated.

-- The Agricultural Old Age Benefits Scheme, the Self-Employed Artisans Insurance and the Federal and Land legislation for free professions (e.g., doctors) provided for the extension of social security in old age to self-employed persons.

1967 -- The Finance Amending Law abolished the insurance ceiling for non-manual workers' pensions insurance.

1969 -- The Miners Insurance Special Scheme Pensions were codified in the Federal Miners Special Scheme.

A special feature of German social insurance, the so-called "dynamic system" of pensions gives benefits to pensioners, the unemployed, the ill and disabled that are not permanently fixed but rise like wages and salaries, according to increases in the national income and productivity. Pension reforms in 1957 and 1970 gave rise to a more than 150% increase in benefits during that period of time.*

The first major revision in old age and disability insurance since 1957 became effective January 1, 1973. The changes involved setting up a flexible retirement policy and extending benefits to those living on minimal pensions and those previously not covered by this insurance.

In the area of health insurance the first reforms related to the Health Insurance of Pensioners and Health Insurance doctors. The Law on the Improvement of the Financial Security of Workers in Case of Sickness, passed in 1957 ~~and~~ amended in 1961, provided workers with higher cash benefits plus a supplement from the employer. As of the beginning of 1970, manual in addition to non-manual workers were guaranteed continued payment of their wages for the first six weeks of sickness. In 1967, the Health Insurance of Pensioners was extended; maternity benefits were increased in 1965-1967; Industrial Injuries Insurance was reformed in 1963. As of January 1, 1971, changes were made that included more white-collar workers in the public health insurance system by raising the income ceiling of those who could participate. At the same time, this ceiling became subject to the annual automatic adjustment feature that was already in use in the pension system, the so-called "dynamic system."

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*Germany: Approach to Social Policy.

Unemployment insurance has undergone frequent changes: after World War II the established contribution rate of 6.5% of insurable earnings was gradually reduced to 1.3%. In 1956 a Comprehensive Amending Law was enacted; in 1959 steps were taken to promote year-round employment in the building industry; in the recession of 1966 and 1967 benefits were adjusted to the economic conditions; in 1969, legislation gave increased functions to the Federal Institute for Labour.

The newest coverage under West German social security is that of Children's Allowances. In 1954, families with at least three children were given allowances; in 1961 this was extended to limited-income families with two children. Legislation reached its final phase in 1964 with the enactment of the Federal Children's Allowance Law. Since then, children's allowances have been financed by the Federal government. The 1967 recession brought about a cancellation of training allowances, started in 1965 to encourage attendance in schools of further education, payable by the Federal Institute for Labour. In 1969, the government enacted legislation of training grants.

Some other social insurance programs include War Pensions and Related Services, which covers war invalids, war widows and orphans; the Equalization of Burdens Law, enacted in 1952 to compensate for the loss of the home and other losses due to war; and Public Assistance. Important legislation concerning Public Assistance goes back to 1924. In 1961, the Federal Social Aid Law codified Public Assistance into a comprehensive body of legislation and reformed it into an up-to-date form of individual aid. Since then, the Federal Social Aid Law has been often amended.

Another program of special interest in the West German social insurance system is that of quota employment, or mandatory employment of the severely handicapped. Quota employment originated in Germany in 1919 and was subsequently changed by legislation in 1920 and by a basic law in 1923, which, except for minor amendments, remained in effect until World War II. The 1923 law extended coverage beyond severely disabled ex-servicemen and industrial accident or disease pensioners to the blind, to less seriously handicapped ex-servicemen and to all disabled individuals whose employability was reduced by fifty percent, regardless of cause. In June 1953, a uniform federal law, which consolidated previous legislation, was passed, and in 1961 an amending law came into effect.[*] In early 1973 a draft for the reform of the Severely Handicapped Law was passed as the essential part of the SPD/FDP government's "Programme of Action for the Promotion of Rehabilitation.[**]

B. The Social Budget[***]

In a speech given before the West German Bundestag (Parliament) on October 23, 1973, the Finance Minister of the Federal Republic, Helmut Schmidt, outlined the federal budget for 1974: appropriations amounted to a total volume of 134.4 billion DM or an increase of 10.5% over 1973. Of the total 1974 budget, social insurance was clearly the largest single item: it was earmarked for almost 40 billion DM or 29.5% of the total budget. Following social benefits in order of appropriation was defense (29.5 billion), all other (18.7 billion DM) and traffic (10.8 billion DM). According to Helmut Schmidt, the percentage of the budget given to social benefits was expected to rise even higher in the future; and he estimated that, according to today's figures, it would be about 54 billion DM or 31.4% of the total budget by 1977.*

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[*] Beatrice G. Reubens, The Hard-to-Employ: European Programs (New York: Columbia University Press, 1970), pp. 144-145.

[**] Internationes, May 1973, Bonn, West Germany.

[***] For the DM equivalency of $1,00 yearly since 1957, see the last page of this chapter.

From 1967 to 1972, the social budget in the Federal Republic increased 67.5% or an average increase of 10.9% per year; the increase from 1971 to 1972 was 12.9% and from 1972 to 1973, 11.6%. The projected increase for 1972 to 1977 is 62.3% total or an average of 10.2% yearly.**

The per capita social expenditure for the year 1970 was higher in the Federal Republic of Germany than in any other European Economic Community country. This is a change from 1967 when Germany ranked second, behind France.

PER CAPITA SOCIAL EXPENDITURES OF EEC COUNTRIES IN BELGIAN FRANCS--1967 AND 1970***

MEMBER COUNTRY	1967	1970
Federal Republic of Germany	20,900	30,100
France	21,700	26,600
Italy	11,600	16,100
Netherlands	17,200	24,700
Belgium	17,200	22,900
Luxembourg	20,400	

Source: Statistical Office of the European Community.

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*Das Parlament, Nr. 44, November 1973, p. 2.

**Sozialbericht 1973, Deutscher Bundestag, 7 Wahlperiode, Drucksache 7/1167, October 25, 1973, p. 87.

***Table from Sozialbericht 1973, p. 123.

It is important to note, however, in relation to the above table that

> Comparisons with social expenditures of other countries are only possible to a limited extent because, as far as we know, statistics from other countries do not cover so many sectors and extend over shorter periods than the German social budget. It would appear that the social accounts of the European Community are best suited for such international comparisons. A European social budget is under way.[*]

In 1972, social expenditures in the Federal Republic amounted to an average of 3,536 DM (or about $1,200) per capita. This expenditure is expected to rise to 5,792 DM per capita by 1977--an overall increase of 63.8% or an annual increase of 10.4%.[**] The first table in the chapter on Japan gives a comparison of the social security expenditures, expressed in percent of GNP, of seven major industrial countries of the world. Because of the differences in the social structures and systems of these countries, it is difficult to assess the true value of these figures; as given, however, West Germany had the highest rate of expenditures.

Two tables below give a breakdown of social expenditures as a percent of the GNP in the Federal Republic and an overall picture of the German social budget for the year 1967 to 1977. The benefits are categorized by the type of institution set up to handle the various functions of the social program.[**]

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[*] _Ibid._, p. 122.

[**] _Ibid._, p. 61.

[***] _Sozialbericht 1973_, pp. 44 and 86-87.

INSTITUTIONS
Benefits in % of Gross National Product

		1967	1971	1972	1973	1977
		Billions of DM				
	Gross National Product	495.5	758.9	828.5	932.9	1304.3
		Benefits in % of Gross National Product				
0	Social budget--total	26.27	25.44	26.32	26.09	27.14
1	Social security	17.67	17.83	18.67	18.76	20.65
10	General systems	12.25	11.86	12.68	12.88	14.93
101	Wage-earners' pension insurance (manual)	4.98	4.61	4.95	5.00	5.39
102	Salaried employees' pension insurance (white collar)	2.44	2.38	2.59	2.60	3.36
103	Health insurance	3.99	4.16	4.46	4.58	5.13
104	Accident insurance	0.76	0.61	0.64	0.64	0.65
105	Employment promotion	0.67	0.66	0.70	0.72	0.73
106	Children's allowances	0.54	0.43	0.40	0.36	1.09
11	Continued payment of wages	0.97	2.00	2.09	2.10	2.12
12	Special systems	1.14	0.99	1.01	1.02	1.15
121	Miners' pension scheme	1.00	0.86	0.88	0.87	0.97
122	Agricultural old-age benefits	0.14	0.13	0.13	0.16	0.18
13	Systems under civil service law	3.60	3.39	3.36	3.25	2.97
131	Pensions	2.42	2.43	2.43	2.36	2.48
132	Family allowances	1.01	0.81	0.78	0.74	0.33
133	Other allowances	0.17	0.15	0.15	0.15	0.16
14	Supplementary systems	0.15	0.20	0.20	0.20	0.21
141	Supplementary insurance (public service)	0.14	0.19	0.19	0.19	0.20
142	Supplementary insurance (individual professions)	0.01	0.01	0.01	0.01	0.01
2	Voluntary services					
201	Employers' services	0.65	0.59	0.59	0.58	0.56
3	Compensatory	2.25	1.68	1.63	1.56	1.45
301	Benefits for war victims and ex-servicemen	1.40	1.06	1.03	1.04	1.05
302	Equalization of burdens	0.37	0.24	0.22	0.19	0.14
303	Reparations	0.39	0.30	0.29	0.25	0.20
309	Other compensatory benefits	0.08	0.08	0.09	0.08	0.06
4	Social assistance and services	0.97	1.14	1.25	1.21	1.34
401	Social welfare	0.50	0.51	0.51	0.51	0.49
402	Youth assistance	0.20	0.25	0.27	0.29	0.42
403	Promotion of training	0.05	0.15	0.21	0.17	0.23
404	Rent allowance	0.10	0.12	0.16	0.14	0.10
405	Public health service	0.12	0.11	0.11	0.11	0.10
5	Indirect benefits	4.78	4.25	4.21	4.02	3.16
501	Tax allowances	3.96	3.70	3.70	3.55	2.80
509	Other reliefs	0.82	0.54	0.51	0.47	0.36

INSTITUTIONS

		Benefits in Millions of DM					Structure of Social budget in %					Changes					
												1967/1972				972/1977	
		1967	1971	1972	1973	1977	1967	1971	1972	1973	1977	total	yearly average	1971/1972	1972/1973	total	yearly averag
0	Social budget--total	130,191	193,082	218,055	243,428	353,940	100	100	100	100	100	67.5	10.9	12.9	11.6	62.3	10.2
1	Social security	87,544	135,278	154,691	175,007	269,361	67.2	70.1	70.9	71.9	76.1	76.7	12.1	14.4	13.1	74.1	11.7
10	General systems	60,706	90,036	105,040	120,185	194,737	46.6	46.6	48.2	49.4	55.0	73.0	11.6	16.7	14.4	85.4	13.1
101	Wage-earners' pension insurance (manual)	24,668	34,952	41,025	46,557	70,340	18.9	18.1	18.8	19.1	19.9	66.3	10.7	17.4	13.5	71.5	11.4
102	Salaried employees' pension insurance (white collar)	12,109	18,079	21,429	24,277	43,830	9.3	9.4	9.8	10.0	12.4	77.0	12.1	18.5	13.3	104.5	15.4
103	Health insurance	19,753	31,603	36,958	42,750	66,871	15.2	16.4	16.9	17.6	18.9	87.1	13.3	16.9	15.7	80.9	12.6
104	Accident insurance	3,746	4,664	5,264	5,935	8,525	2.9	2.4	2.4	2.4	2.4	40.5	7.0	12.9	12.7	61.9	10.1
105	Employment promotion	3,309	4,990	5,829	6,752	9,475	2.5	2.6	2.7	2.8	2.7	76.2	12.0	16.8	15.8	62.5	10.2
106	Children's allowances	2,694	3,299	3,274	3,322	14,280	2.1	1.7	1.5	1.4	4.0	21.5	4.0	-0.8	1.5	(336.2)	(34.3)
11	Continued payment of wages	4,800	15,200	17,330	19,616	27,610	3.7	7.9	7.9	8.1	7.8	(261.0)	(29.3)	[illegible]	13.2	59.3	9.8
12	Special systems	5,660	7,528	8,389	9,552	14,994	4.4	3.9	3.8	3.9	4.2	48.2	8.2	11.4	13.9	78.7	12.3
121	Miners' pension scheme	4,959	6,561	7,281	8,088	12,625	3.8	3.4	3.3	3.3	3.6	46.8	8.0	11.0	11.1	73.5	11.6
122	Agricultural old-age benefits	701	967	1,108	1,463	2,370	0.5	0.5	0.5	0.6	0.7	58.1	9.6	14.6	32.1	113.9	16.4
13	Systems under civil service law	17,850	25,755	27,824	30,359	38,753	13.7	13.3	12.8	12.5	10.9	55.9	9.3	8.0	9.1	39.3	6.9
131	Pensions	12,000	18,407	20,116	22,051	32,333	9.2	9.5	9.2	9.1	9.1	67.6	10.9	9.3	9.6	60.7	10.0
132	Family allowances	5,003	6,174	6,426	6,885	4,349	3.8	3.2	2.9	2.8	1.2	28.4	5.1	4.1	7.1	-32.3	-7.5
133	Other allowances	847	1,174	1,282	1,423	2,071	0.7	0.6	0.6	0.6	0.6	51.4	8.6	9.2	11.0	61.5	10.1
14	Supplementary systems	721	1,519	1,663	1,845	2,725	0.6	0.8	0.8	0.8	0.8	130.7	18.2	9.5	11.0	63.9	10.4
141	Supplementary insurance (public service)	687	1,475	1,615	1,791	2,650	0.5	0.8	0.7	0.7	0.7	135.1	18.6	9.5	10.9	64.1	10.4
142	Supplementary insurance (individual professions)	34	44	48	54	75	0.0	0.0	0.0	0.0	0.0	41.2	7.1	9.1	12.5	56.3	9.3
2	Voluntary services																
201	Employers' services	3,240	4,440	4,880	5,400	7,338	2.5	2.3	2.2	2.2	2.1	50.6	8.5	9.9	10.7	50.4	8.5
3	Compensatory	11,133	12,727	13,470	14,541	18,893	8.6	6.6	6.2	6.0	5.3	21.0	3.9	5.8	7.9	40.4	7.0
301	Benefits for war victims and ex-servicemen	6,934	8,073	8,572	9,690	13,750	5.3	4.2	3.9	4.0	3.9	23.6	4.3	6.2	13.0	60.4	9.9
302	Equalization of burdens	1,829	1,806	1,795	1,778	1,771	1.4	0.9	0.8	0.7	0.5	-1.9	-0.4	-0.6	-1.0	-1.3	-0.3
303	Reparations	1,957	2,260	2,363	2,305	2,589	1.5	1.2	1.1	0.9	0.7	20.7	3.8	4.6	-2.5	9.6	1.8
309	Other compensatory benefits	413	588	740	768	782	0.3	0.3	0.3	0.3	0.2	79.2	12.4	25.9	3.8	5.7	1.1
4	Social assistance and services	4,812	8,646	10,382	11,295	17,541	3.7	4.5	4.8	4.6	5.0	115.8	16.6	20.1	8.8	69.0	11.1
401	Social welfare	2,464	3,843	4,190	4,723	6,350	1.9	2.0	1.9	1.9	1.8	70.0	11.2	9.0	12.7	51.6	8.7
402	Youth assistance	1.007	1.896	2.250	2.722	5.507	0.8	1.0	1.0	1.1	1.6	123.4	17.4	18.7	21.0	144.8	19.6
403	Promotion of training	260	1,172	1,760	1,560	2,990	0.2	-0.6	0.8	0.6	0.8	(576.9)	(46.6)	50.2	-11.4	69.9	11.2
404	Rent allowance	472	915	1,292	1,301	1,340	0.4	0.5	0.6	0.5	0.4	173.7	22.3	41.2	0.7	3.7	0.7
405	Public health service	609	820	890	989	1,354	0.5	0.4	0.4	0.4	0.4	46.1	7.9	8.5	11.1	52.1	8.8
5	Indirect benefits	23,694	32,236	24,872	37,458	41,182	18.2	16.7	16.0	15.4	11.6	47.2	8.0	8.2	7.4	18.1	3.4
501	Tax allowances	19,625	28,103	30,654	33,109	36,497	15.1	14.6	14.1	13.6	10.3	56.2	9.3	9.1	8.0	19.1	3.6
509	Other reliefs	4,069	4,133	4,218	4,349	4,685	3.1	2.1	1.9	1.8	1.3	3.7	0.7	2.1	3.1	11.1	2.1

From the previous tables, it can be seen that payments in the social security area will continue to increase, as mentioned before, as a percent of the social budget to 1977. Under social security, the largest rises were noted in pension insurance for white collar workers, health insurance, children's allowances and most especially in continued payment of wages. Much of the increase in these areas resulted from changes in the law and from the "dynamic" adjustment system of the pension and health insurance, but other factors, such as the change in the age structure of the population and the rising demand for and increasing cost of medical services, also played a role. The expected increase in the percentage of funds given to children's allowances in 1977 is due to structural changes in family benefits.

In the area of social assistance and services, assistance measures for youth and the promotion of training are gaining in importance. Social welfare, though the largest single item under social assistance, remains a very small part of all social expenditures (2%), and the percentage of the budget paid out for it has remained, and is expected to remain, constant.

In comparison, in the U.S. in 1971, public aid accounted for about 12% of all social welfare expenditures under public programs. In the U.S., all social welfare expenditures increased as a percent of the GNP about two-fold from the early 1950's when they were less than 9% to 1971 when they were 17%. A sharp increase could also be noted for social welfare expenditures as a percent of government expenditures for all purposes: in 1950, they were about 38% of all expenditures; in 1955, approximately 33% and in 1971, about 52%.*

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*Statistical Abstract of the United States 1973, p. 286.

In West Germany, decreases in the rate of benefits are especially notable in the compensatory payments made to those who suffered as a consequence of World War II. These benefits decrease as the length of time since the end of the war increases.

In the social budget, benefits are also classified according to the functions they serve in addition to the institutions which serve them. The three principal areas at present are old-age and survivors (one-third), health (one-third) and family benefits (one-fifth). The following table shows social benefits in terms of their functions in percent of the social budget for the years 1965-1976.*

TOTAL SOCIAL BUDGET (DM MILLIONS)

	1965	1970	1971	1972	1976
	110 622	169 043	191 278	208 677	291 705
(Structure of Social Budget as % according to functions)					
Family	22.7	19.1	18.1	17.9	17.8
Children	11.2	9.0	8.6	8.4	7.9
Spouses	10.6	9.3	8.7	8.7	9.1
Maternity	0.9	0.8	0.8	0.8	0.8
Housing	4.5	3.6	3.4	3.4	2.9
Health	28.6	30.9	32.0	32.3	31.3
Preventive Medicine	1.6	1.7	1.7	1.8	1.8
Sickness	18.5	20.9	22.1	22.2	21.5
Employment accidents, Occupational diseases	4.2	4.2	4.2	4.3	4.1
Invalidity (general)	4.0	4.1	4.0	4.0	3.9
Employment	1.6	2.7	3.1	3.5	3.1
Occupational training	0.4	1.0	1.7	1.9	1.8
Other mobility	0.1	0.2	0.2	0.3	0.3
Unemployment	1.1	1.4	1.2	1.4	1.1
Old age	22.1	23.5	22.9	23.1	25.1
Survivors	10.5	11.5	11.3	11.3	11.7
Consequences of political events	8.2	6.2	5.8	5.5	4.9
Savings promotion	1.9	2.5	3.3	2.9	3.3
Total Social Budget	100	100	100	100	100

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*Sozialbericht 1973, p. 47 and More Social Justice, The Federal Republic of Germany, Ministry of Labour and Social Affairs, Bonn, March 1973, p. 110.

C. Financing of Programs

The financing of programs in the Federal Republic is of particular interest because of the complex mixture of private, industrial and government funds and institutions involved. Here we must also differentiate between who contributes the funds and the sources of the benefits.

> The financing of the Social Budget is classified by nature of receipts and by sources of the means.
>
> The classification by nature reveals that about one third of the receipts are government subsidies and about two thirds, in equal parts, are contributions of the protected persons, contributions of employers and direct benefits of employers.
>
> The classification by source demonstrates on the other hand that about one half of the means come from public funds (Federation 25%, Lander 15%, local authorities 7%), the other half from private enterprises (30%) and households (20%).
>
> The financing of each institution differs more or less from these mean values. The question, who finally bears the costs, cannot be answered by statistics.*

The following table will help to give a composite picture of the relationship of the type and source of funding to the various social benefits. From this table we can see that such items as old-age pension and health insurance are about three-quarters supported by contributions from the employers and the employed, that children's allowances are 100% made up of contributions from public funds and that continued payment of wages are almost totally paid as direct benefits from the employer. Against this picture of social security benefits is that of other social benefits--compensation for the war, social assistance and indirect benefits--that are almost completely supported by government funds.

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*Sozialbericht 1973, p. 111.

STRUCTURE OF FINANCING

Institution	Financing type							Financing source							
	Contributions		Direct benefits by employers	Public funds	Capital gains	Other revenue	Compensatory accounts	Industry	Federal Government	States (Lander)	Local authorities	Social insurance	Private		Other sources
	Insured	Employer											Organizations	Households	
Social budget--total.	19.8	22.2	20.0	35.0	1.8	1.2	--	32.0	25.4	15.1	6.8	0.1	0.4	20.2	0.0
Social security	27.5	30.7	25.1	13.3	2.5	0.8	0.1	41.0	18.1	8.6	3.8	0.1	0.5	27.9	0.0
General systems	39.1	42.2	0.2	12.5	2.6	0.7	2.7	41.8	14.3	1.3	1.3	0.1	0.4	40.6	0.1
Wage-earners' pension ins.	38.2	38.2	--	19.8	1.6	0.0	2.2	37.3	21.8	0.4	0.9	0.1	0.1	39.4	0.0
Salaried employees' pension insurance	43.4	39.8	--	7.0	5.0	0.2	4.6	39.6	9.4	2.5	1.7	0.2	0.5	45.9	0.1
Health insurance.	35.9	35.7	--	0.5	1.3	1.1	25.6	45.4	1.7	1.5	1.5	0.1	1.0	48.7	0.0
Accident insurance.	6.2	77.3	4.5	4.2	4.1	3.2	0.4	83.6	5.8	1.3	2.1	0.1	0.4	6.7	0.1
Employment promotion. . . .	41.2	47.9	--	2.9	3.6	1.0	3.5	48.5	3.6	1.6	2.0	0.0	0.3	43.5	0.5
Children's allowances . . .	--	--	--	100	--	--	--	--	100	--	--	--	--	--	--
Continued payment of wages. .	--	4.2	93.1	0.8	0.0	0.9	1.0	80.6	4.3	9.0	4.9	--	0.5	0.6	--
Special systems	8.9	10.2	--	59.1	--	0.1	21.3	13.4	75.3	0.0	--	0.0	0.0	11.3	0.0
Systems under civil service law	--	--	87.2	9.4	0.3	0.9	2.5	20.6	29.1	38.5	11.0	--	0.8	--	--
Supplementary systems	16.9	42.7	0.3	2.2	32.7	3.0	2.1	30.5	9.9	14.3	23.9	0.6	1.4	19.4	--
Voluntary employers' services .	--	5.1	92.8	--	--	2.0	--	99.0	0.5	0.5	--	--	--	--	--
Compensatory benefits (war) . .	0.0	--	--	92.4	0.0	7.5	--	7.5	75.8	15.1	1.6	--	--	0.0	--
Social assistance and services.	1.0	--	--	96.1	0.2	2.5	0.3	0.3	16.6	28.1	51.7	--	--	3.4	--
Indirect benefits	--	--	--	100	--	--	--	--	45.7	43.4	10.9	--	--	--	--

As to the means of funding, in the social security area the overwhelmingly greatest percentage of benefits are paid out through industry and private households whereas the other social benefits are almost totally funded through the federal government, states or localities. For example 96% of the revenue for social assistance comes through public funds.*

In general, over the past decade, contributions by employers and employees increased in absolute amounts and relative to other contributions in the major areas of social security. Whereas in 1967, 42% of the social budget was financed by public funds, by 1973 this figure had dropped to 34%. At the same time, contributions by employers and the insured together amounted to 36% of the social budget in 1967 and increased to 44% in 1973. Direct benefits contributed by the employer rose considerably between 1967 and 1970 because of the introduction of continued payment of wages in case of sickness.

In regard to the financing source industry as a source of payments grew between the years 1967 to 1973; the Federal government tapered off in this time period, but is expected to increase its payments after 1973 because of the reform of family benefits and the growth in old-age pension benefits; the states (Laender) are showing a decrease in payments mainly because of the reduction in war compensation benefits. Local authorities are remaining fairly constant around 7% because of two developments that are simultaneously compensating for each other: benefits for social assistance and youth assistance are rising overproportionally, but employer contributions paid out through local communities are decreasing. Financing through industry and private households reveals a sharp absolute and relative increase: both sources show a three-fold increase between 1967 and 1977 and a rise in the proportion of payments. The reasons for this were the expansion of contributions in the main branches of social security and the enactment of the continued payment of wages benefit.*

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*Sozialbericht 1973, pp. 112-115.

Regarding the financing in 1972 of social benefits other than those under the social security system, one-half of all social assistance and services benefits were paid out by the local communities (almost all the funds provided by the local authorities were for social welfare and youth assistance). Local authorities paid out three-quarters of all social welfare benefits and three-quarters of all youth assistance. The table on the next page shows the financing of these social benefits.

D. The Programs

The Social Security program, the heart of the Federal Republic's social policy, is a compulsory insurance program based on employment. As of 1972, it insured approximately 26 million employed for old-age, survivors, sickness, maternity, job accident, unemployment, children's allowances, continued payment of wages and other special protection. Employed persons in 1972 totaled 27,200,000 or 44% of the total population of almost 62,000,000. Thus social security covered about 90% of the work force in 1972.

1. Retirement Pensions

In 1972, one-third of all social benefits went to old-age and survivors insurance. This proportion was about the same as that for

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*Ibid.

Financing According to Source and Institution--1972 - Social Benefits other than Social Security*

In millions of DM

Institution	Total	In-dustry	Fed. Gov't	States	Local	Soc. ins.	Private org.	Private house.	Other
2 Voluntary services.	4880	4830	25	25	--	--	--	--	--
201 Employers' services	4880	4830	25	25	--	--	--	--	--
3 Compensatory (war).	13470	1013	10207	2034	212	--	--	5	--
301 War victims and veterans. . .	8572	--	7970	489	112	--	--	1	--
302 Equalization of burdens . . .	1795	1013	294	443	41	--	--	4	--
303 Reparations	2363	--	1272	1091	--	--	--	--	--
309 Other compensatory benefits .	740	--	671	10	59	--	--	--	--
4 Social assistance and services.	10353	31	1714	2912	5349	--	--	347	--
401 Social welfare.	4161	--	41	821	3244	--	--	55	--
402 Youth assistance.	2250	--	5	345	1752	--	--	148	--
403 Promotion of training	1760	--	1038	722	--	--	--	--	--
404 Rent allowance	1292	--	601	659	31	--	--	--	--
405 Public health service	890	31	29	365	322	--	--	144	--
5 Indirect benefits	34872	--	15943	15131	3798	--	--	--	--
501 Tax allowances.	30654	--	14374	12482	3798	--	--	--	--
509 Other reliefs	4218	--	1570	2648	--	--	--	--	--

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*Ibid., p. 180.

health insurance: the two together accounted for about two-thirds of all social benefits. In general, the social security program provides about 90% of the income of aged, invalids, widows and orphans.

The changes in the pension system effective January 1, 1973, were (1) the introduction of a "flexible" formula that allows the worker the option of retiring between the ages 63 and 67 instead of at the previously fixed age of 65; (2) the speedup of the "dynamic" adjustment of pensions benefits to wage increases; (3) the adjustment of pension benefits to a certain minimum for those who had worked many years at low wages; and (4) the extension of coverage eligibility to the entire population.

The formula for the amount of benefits received under the pension system is tied to the number of years worked. This could include periods long ago of unemployment, training, rehabilitation, war or being in very low paying jobs, which, reckoned in the decades of work, could bring down the worker's lifetime average. Certain categories of workers were never able to raise their averages. The new legislation, effective January 1, 1973 provided for:

> ...an examination of the records of all insured persons with at least 25 years of compulsory contributions and of all current pensioners. All those whose annual earnings were less than 75 percent of the national average in any year between January 1957 and January 1973 will be credited as though contributions had been made at the 75-percent level and their career earnings retotaled, for benefit purposes, on the more favorable basis. Some 750,000 current old-age and disability pensioners (about 7 percent of the total) are expected to benefit substantially. For many of them the pension will double, according to the Minister for Labor and Social Order.*

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*"Social Security Abroad: Flexible Retirement Feature of German Pension Reform," prepared by Gisela C. Wang, International Staff, Office of Research and Statistics, Social Security Administration.

Those whose earnings were less than 40% of the national average will not be revaluated as it is assumed that these earnings were not the principal source of income.

The third change included in the new legislation was a speedup in the "dynamic" adjustment of pension benefits. Previously, an adjustment was made on January 1 of each year based on the average of the national average wage for the three preceding years. The new law advanced the adjustment date so that increases became effective on July 1, or six months earlier each year. The "dynamic" system was built into the pension legislation in 1957 with the intention of keeping pension benefits at about 60% of one's earnings from work.

> In recent years, however, partly because of slack periods in the 1960's, pensions were found to have declined to as low as 42.5 percent of current national average wages. Because of the lag effect, the pension adjustment scheduled for 1972 amounted to only 6.3 percent, since it had not yet caught up to the wage increases that averaged about 14 percent in 1970 and brought a corresponding surplus in pension funds. To minimize a possible similar lag effect in the future, the new law added a guideline for determining future adjustments: The average pension earned after 40 years of coverage should be 50 percent of current national average wages and, even in the event of adverse economic conditions, must never fall below 45 percent.*

In addition to the changes in benefits described above, the new legislation also expanded coverage to include those parts of the population not previously eligible. The groups most affected were about 750,000 self-employed persons not previously covered and nonworking women. The law provided that they could choose, within a two-year period, either compulsory or voluntary insurance coverage, depending on which they chose, they were eligible to receive either full or partial benefits. A special system has been set up for about 7 million housewives and 2 million unpaid family helpers that includes health and rehabilitation benefits in addition to pension insurance.

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*Ibid.

We can observe the spread of pension benefits among male and female workers and salaried employees receiving pension insurance as of November 1, 1972. The first column under men and under women gives the percent of pensioners who fall into the category of pension benefits given at the far left. The second column is the cumulative amount of the first column.*

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*Made up from tables 8.4 and 8.7 in Arbeits-und Sozialpolitik Statistiken 1973.

PENSION INSURANCE BENEFITS FOR MALE AND FEMALE PENSIONERS--WORKERS AS OF NOVEMBER 1, 1972

PENSION BENEFITS DM/MONTHLY	MEN		WOMEN	
	%	BALANCE	%	BALANCE
	PERCENTAGES			
Under 100	1.0	1.0	14.9	14.9
100- 200	5.0	6.0	36.0	50.9
200- 300	9.8	15.8	30.4	81.3
300- 400	10.6	26.4	11.2	92.5
400- 500	11.8	38.2	5.2	97.7
500- 600	13.1	51.3	1.7	99.4
600- 700	14.8	66.1	0.4	99.8
700- 800	13.9	80.0	0.1	99.9
800- 900	11.3	91.3		
900-1,000	6.4	97.7		
1,000-1,100	1.8	99.5		
1,100-1,250	0.4	99.9	0.1	100.0
1,250 & more	0.1	100.0		
Total	100.0		100.0	

PENSION INSURANCE BENEFITS FOR MALE AND FEMALE PENSIONERS--SALARIED EMPLOYEES AS OF NOVEMBER 1, 1972

PENSION BENEFITS DM/MONTHLY	MEN		WOMEN	
	%	BALANCE	%	BALANCE
	PERCENTAGES			
Under 100	0.2	0.2	5.2	5.2
100- 200	1.3	1.5	12.1	17.3
200- 300	3.8	5.3	20.4	37.7
300- 400	5.3	10.6	17.2	54.9
400- 500	6.0	16.6	11.7	66.6
500- 600	6.8	23.4	9.3	75.9
600- 700	7.5	30.9	6.9	82.8
700- 800	8.8	39.7	5.5	88.3
800- 900	10.4	50.1	4.3	92.6
900-1,000	11.6	61.7	2.9	95.5
1,000-1,100	11.8	73.5	1.9	97.4
1,100-1,200	9.3	82.8	1.1	98.5
1,200-1,300	7.0	89.8	0.7	99.2
1,300-1,400	4.9	94.7	0.5	99.7
1,400-1,500	3.5	98.2	0.2	99.9
1,500-1,600	1.5	99.7	0.1	100.0
1,600 & more	0.3	100.0		
Total	100,0		100.0	

As can be seen from the above tables, average social security pensions received by women are about one-third those received by men among workers and about one-half the amount of men's pensions among salaried employees. One wonders how some of these women who are widowed can live on this; but

I have been told by a German woman who is on the staff of the German Information Center in New York City that very few persons collect only what is known as a "minimal pension." Most receive benefits from some other source as well.

In comparing the German earnings replacement rate of old-age benefits with those of other countries many factors come into consideration. A review here of these factors is beyond the scope of this study, but there is a good discussion of the comparison of earnings replacement rates in several countries in an article by Max Horlick of the U.S. Social Security Administration.* Among the various factors mentioned by Mr. Horlick in his article are the differing objectives of the various national systems; benefits or services provided in ways other than by cash payments; the prevalence of private pension plans; other sources of income; economic conditions; the length of time the system has been in effect ("the oldest systems tend to have the highest replacement rates... [and] to have higher goals with respect to the replacement rate upon maturity" [p. 13]); the economic development of the country (economic and social pressures cause developing countries to "tend to schedule higher placement rates than most of the developed countries." [p. 13]); the type of pension formula (i.e., flat-rate, flat-rate with earnings-related feature, average individual earnings combined with a time factor and weighted benefits: "When the type of formula is related to the replacement rate as here defined, it may be said generally that the countries with an earnings-based pension related to years of work--Austria

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*Max Horlick, "The Earnings Replacement Rate of Old-Age Benefits: An International Comparison," *Social Security Bulletin*, March 1970, pp. 3-16.

Germany, and France--tend to have the highest replacement rate." [p. 10]). Consideration of these factors would cause an analyst to be wary of drawing a simplistic conclusion about the relationship of an earnings replacement rate to poverty and to be very careful of international comparisons. In terms of theory, it can probably be said that:

> The general level of benefits reflects what the society is willing to pay and the level that is thought unlikely to constitute a disincentive to savings and to continued employment. In theory, in a social security system that relates benefits to previous earnings the intention is to limit benefits to less than 100 percent of such earnings. The gap between benefits and earnings is expected to encourage workers to remain on the job and obtain the higher income.*

The following table gives a listing of the replacement rates and pension formulas of 13 countries as of 1968. Max Horlick argues that the U.S. compares moderately well with other industrial countries with regard to the amount of the social security pension it pays out:

> The average retired couple in the United States enjoys an intermediate replacement rate among the 13 countries examined. Five are significantly higher, three are about the same, two are slightly lower, and two are significantly lower. For the individual United States beneficiary the rate equals or is above that found in four of the other countries.**

Germany is one of the five countries with the highest rate. Some of the provisions in the German portion of this table were revised January 1, 1973.

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*Ibid, p. 13.

**Ibid, p. 3.

		PENSION AS PERCENT OF--			PENSION FORMULA		
COUNTRY	YEARS WORKED	EARNINGS IN YEAR BEFORE RETIREMENT		FORMULA EARNINGS, SINGLE WORKER[3]	TYPE OF FORMULA	RETIREMENT AGE	COMPUTATION PROVISIONS
		SINGLE WORKER	COUPLE[2]				
Austria[4]	30 35 40	49 55 60	....	57 64.5 70	Percent of average earnings in last 5 years (or age 45-50), time related.	65..........	30 percent of "basis of assessment" (average covered monthly earnings of last 5 years) plus 0.6 percent per year for 1-10 years, 0.9 percent for 11-20 years, 1.2 percent for 21-30 years, and 1.5 percent for 31 years and over.
Belgium	35 40	33 37	41 46	47 53	60 percent of lifetime average, revalued (45 years or all years since 1926).	65..........	Full benefit when system matures in year 2000.
Canada[5]	....	22	39	22	Universal pension plus 25 percent of average earning, highest 10 years.	67[6].........	Earnings-related Canada Pension Plan begins with 2.5 percent for retirement in 1967, increasing 2.5 percent per year to a maximum of 25 percent in 1976.
Denmark[5]	....	29	44	....	Universal old-age pensions, means-tested, plus supplementary pensions time-related.	67..........	Supplement of 60 kroner a year times number of years.
France	[7]30 35 40	22 43 65	33 68 98	20 40 60	20 percent of average credited earnings of highest 10 years, indexed.	60..........	4 percent increment per year for deferral after age 60.
Germany Fed. Republic	30 35 40	43 50 57	....	45 51.5 60	Percent of lifetime average earnings, indexed.	65..........	1.5 percent of "assessed wages" times years of coverage. "Assessed wages" is the ratio of the individual's earnings to the national average earnings multiplied by the national average during the first 3 of the 4 years preceding retirement.
Italy[8]	35	54	....	57	65 percent of average earnings of last 3 years.	After 40 yrs.	For those retiring after May 1, 1968, with 40 years under new scheme.
	40	61		65	74 percent of average earnings of last 3 years.	After 40 yrs.	For those retiring after June 1, 1969, with 40 years, under revised legislation.
Netherlands	[9]49	[10]30	43	....	Flat rate..........	65..........	....
Norway[5]	....	33	45	33	Universal pension plus supplement related to average earnings of highest 20 years, indexed.	70..........	45 percent of a national base amount, which is roughly one-third of the national average wage, times number of average annual "pension points." Pension points are derived by dividing annual earnings (between the base amount and the ceiling) by the base amount. Revalued each year.
Sweden[5]	....	41	55	41	Universal pension plus supplement related to average earnings of highest 15 years; indexed.	67[11].........	60 percent of national base amount, which is roughly one-third of the national average wage, times number of average annual "pension points." Pension points are derived by dividing annual earnings (between the base amount and the ceiling) by the base amount. Revalued each year.
Switzerland....	Years since 1948.	21	34	32	Old formula: Weighted, based on average earnings since 1948.[12] New formula: Percent of average earnings since 1948.	65..........	1,000 francs a year plus 4.4 times first 400 and 2.2 times next 300 francs of average annual contribution. In 1969, 125 francs a month plus 1.25 percent per month of average annual earnings.
United Kingdom[5]	....	24	36	27	Primarily flat rate plus graduated pension based on percent of contributions since 1961. Weighted formula, based on percent of average earnings (proposed).	65..........	Universal flat rate, plus small earnings-related benefit. 60 percent of earnings up to 1/2 national average, plus 25 percent of remainder to the ceiling, when mature after 20 years.
United States...	....	29	44	38	Weighted formula, based on percent of average taxable lifetime earnings since 1951, with lowest 5 years omitted.	65..........	71.16 percent of first $110 of average credited monthly earnings plus 25.88 percent of next $290 plus 24.18 percent of next $150 plus 28.43 percent of next $100--for a retiree in 1968 at age 65.

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[1] Computed earnings from International Labor Organization, Yearbook of Labor Statistics, selected years; supplemented by United Nations Monthly Bulletin of Statistics, selected issues; where appropriate, figures were revalued on the basis of national indexes.

[2] Includes supplement for spouse in countries with such a provision.

[3] Pension as percent of average creditable earnings for the required number of years.

[4] Fourteen "monthly" earnings and pension payments included per year.

[5] Because of newness of system, earnings-related component is relatively small and the number of years worked not yet entirely relevant.

[6] In 1968.

[7] Retirement permitted at age 60 (30 years of work required), with 20-percent replacement rate. (A reading of the legislation indicates that retirees with 35 or 40 years of work would also have a 20-percent replacement rate.)

[8] Under legislation in effect May 1968-April 1969.

[9] Age 65, with contributions each year from age 16 to age 64 for full pension; 2-percent decrement for each unexcused year of noncontribution. In effect, however, the system is virtually universal.

[10] Full flat-rate pension compared with average earnings of male workers in manufacturing (the pension is actually unrelated to previous earnings).

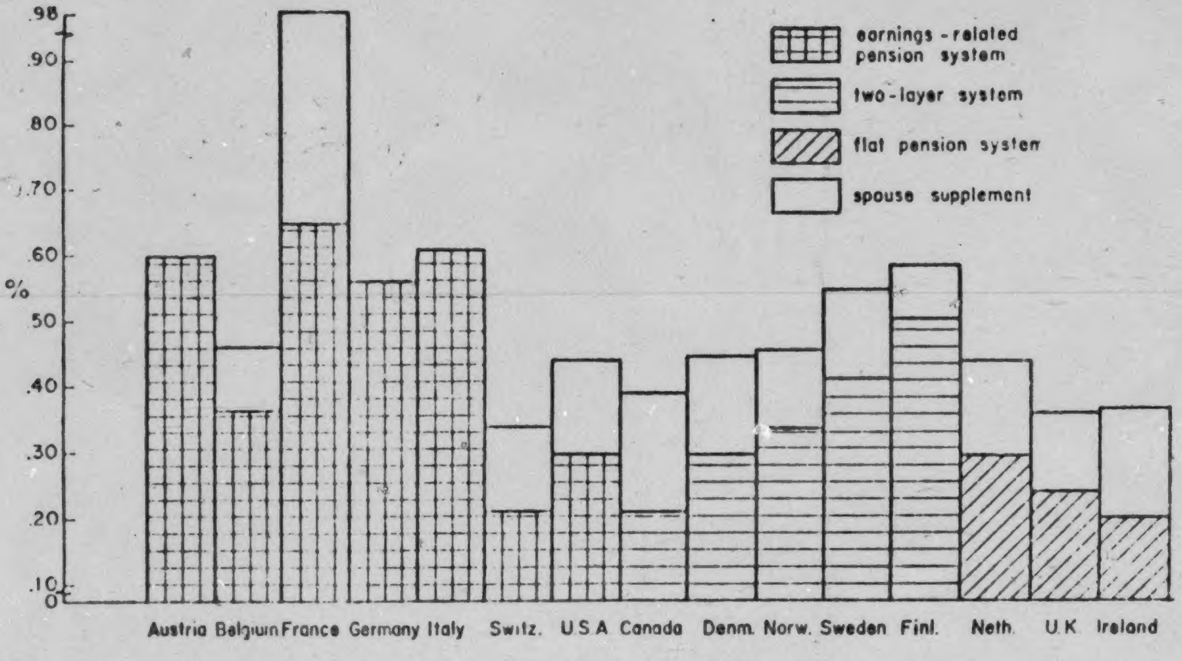
[11] Pension calculated on the basis also of special provisions for those born before 1924.

[12] Related to average current earnings in each year. Benefits are adjusted every 3 years or when the price index rises 8 percent. Adjustments upward in recent years have tended to rise about one-third each time.

Source: Social Security Throughout the World, 1969 (Social Security Administration), legislative provisions, and official sources.

Similar material is presented in a quickly readable form in the chart below:*

REPLACEMENT RATES OF OLD AGE PENSIONS IN SELECTED COUNTRIES
(As percent of earnings in manufacturing of a male worker in 1968)*



Note: Retirement at the end of 1968. Ireland at the end of 1967. Assumed working period--40 years; for the Netherlands only--49 years.

*Average earnings.

2. Health Insurance

Social health insurance is the oldest type of social insurance in Germany. A program for industrial workers, based on the same principles in effect today--compulsory insurance, free services and sick benefits--

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*James Schulz and Guy Carrin, "Role of Savings and Pension Systems in Maintaining Living Standards in Retirement," The Journal of Human Resources, Summer 1972, p. 358.

was initiated in 1883. By 1903, about 10 million workers and employees were insured. In March 1970, almost 18 million employed persons and 8 million pensioners were covered by compulsory insurance and about 4-1/2 million others were voluntarily insured. The total of these persons--about 80.3 million--and their almost 24 million dependents, made up about 88% of the total population. Of the 30.3 million insured, 17.7 million were men and 12.6 million were women. Considered in terms of percentages, out of every 100 persons insured for health benefits in 1970, 59 were compulsorily insurable, 26 were compulsorily insured pensioners and 15 were persons who were voluntarily insured. Other persons who were receiving social benefits--among them persons wounded in the war, social aid recipients, those injured in industry, returnees and those being paid reparations--were covered for medical treatment through the statutory health insurance included in the benefit program. Moreover, unemployed persons were insured if they were receiving unemployment benefits or assistance, or maintenance allowances while in vocational training. Thus, in 1968, 98.6% of the total population of 59.6 million had sickness insurance and 87% were insured under the statutory health insurance system.*

The following table gives a brief, overall view of the setup and economics of the statutory health insurance system.**

The number of sick funds--or those institutions administering the health insurance system--was reduced from 22,000 in 1911 to 1,846 in

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*Survey of Social Security, p. 125.

**Handbook of Statistics 1970, p. 134.

LEGAL HEALTH INSURANCE

Specification	Unit	1964	1965	1966	1967[1]
Members (average)	1,000	28,367	28,739	28,924	28,699
Compulsory insurants	1,000	17,094	17,201	17,791	17,019
Voluntary insurants	1,000	5,507	5,654	5,110	5,43[illegible]
Pensioners	1,000	5,766	5,884	6,023	6,241
Incapacity for work, cases } members (excl.	1,000	15,336	16,025	15,604	13,218
Incapacity for work, days } pensioners)	1,000	350,627	360,533	360,964	316,695
Net receipts	Million DM	14,355	15,961	18,544	19,738
incl.: Health insurance contributions of members	Million DM	11,536	12,985	15,257	15,861
of pensioners	Million DM	1,915	2,103	2,424	2,968
Net expenditure	Million DM	13,838	15,786	18,362	19,236
incl.: Benefits for members (excl. pensioners)[2]	Million DM	10,830	12,257	14,237	14,545
incl.: Medical care[3]	Million DM	2,938	3,428	4,227	4,421
Medicaments and remedies[4]	Million DM	1,699	1,944	2,323	2,565
Sickness payments	Million DM	3,166	3,501	3,791	3,301
Benefits for pensioners[2]	Million DM	2,237	2,657	3,178	3,663
incl.; Medical care[5]	Million DM	593	720	883	979
Medicaments and remedies[4]	Million DM	711	851	1,045	1,225

[1] Preliminary figures, [2] Incl. their family members, [3] Incl. services of confidential physicians, [4] Incl. dental prostheses, [5] Incl. dental care.

1969 during which time the number of persons insured increased threefold (about 10 million to 30 million). The sickness insurance societies are self-governing bodies, administered by elected representatives of workers and employers in equal numbers; they are financially and organizationally autonomous, but subject to official supervision. As of 1970 they were organized into:

> ...401 Local Health Insurance Funds (General Scheme Funds), 107 Land Health Insurance Funds for agriculture, 1,133 Works Health Insurance Funds operating in large enterprises, 178 Trade Association Health Insurance Funds for small scale artisant firms, 1 Seaman's Health Insurance Fund for seagoing employment, the Miner's Special Scheme, 7 Mutual Benefit Funds for non-manual workers, 8 Mutual Benefit Funds for manual workers.*

The following table gives an overall view of the coverage of the German population among the various insurance funds by type of insurance as of April 1968.

A further table gives an idea of the extent of membership in different types of insurance funds.

Health insurance legislation passed in recent years has expanded coverage by the public health insurance system beyond the 87% of the population covered by the law in 1968. Although all manual workers were compulsorily covered, white-collar workers whose income exceeded a set limit were exempt. This income ceiling has been set higher by each successive legislation, and in 1971 it was put on a "dynamic" basis of automatic adjustment to rising wages. The adjustment has been fixed at 75% of the ceiling for the pension insurance system, which is itself set up on a "dynamic" basis of automatic adjustment (the amount of which is

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*Survey of Social Security, p. 144.

POPULATION IN APRIL 1968 ACCORDING TO INSURANCE FUNDS/-INSURANCE AND TYPE OF INSURANCE COVER (THOUSANDS)

Insurance Fund/-Insurance	Total	Compulsorily Insured	Voluntarily Insured	Insured Pensioners	Insurance Cover[1]	Medical Care for Police and Armed Forces	Insured Dependants	Without Cover
General Local Sick Funds District, Trade Associations, Land Sick Funds.............	30,238	10,391	1,823	5,249	--	--	12,775	--
Works Sick Funds, including Posts and Railways, Established Officials Funds, and the Ministry of Transport Fund........................	8,526	2,625	1,008	791	--	--	4,102	--
Miners' Special Scheme Fund......................	2,019	381	27	614	--	--	997	--
Mutual Benefit Funds.........	10,956	3,282	2,550	581	--	--	4,543	--
Private Health Insurance.....	5,945	--	3,312	/	--	--	2,633	--
Students' Health Insurance...	211	--	200	/	--	--	11	--
Other Insurance Cover[2].......	844	25	10	/	729	60	19	--
Without Insurance Cover......	842	--	--	--	--	--	--	842
Total	59,580	16,703	8,928	7,238	729	60	25,080	842

[1] Insurance cover as recipient of Social Aid, War Damages Pensioner, etc.

[2] Including Foreign Health Funds, and Social Insurance in the Soviet Sector of Berlin.

Source: Survey of Social Security, p. 126.

MEMBERSHIP ACCORDING TO DIFFERENT TYPES OF INSURANCE FUND
(THOUSANDS AS A YEARLY AVERAGE)

Year	OKK	LKK	BKK	IKK	SeeKK	KnK	EK Ar	EK An	Total
1938	13,524	1,817	4,097	676	59	762	2287		23,222
1950	13,838	670	2,300	398	21	1,128	81	1,764	20,200
1955	16,143	540	2,960	660	46	1,335	145	3,071	24,900
1960	15,433	469	3,600	936	70	1,402	231	4.919	27,060
1965	15,442	418	3,874	1,244	71	1,318	290	6,082	28,740
1966	15,373	420	3,869	1,294	72	1,286	302	6,307	28,924
1967	15,115	426	3,766	1,329	74	1,229	309	6,452	28,698
1968	15,332	434	3,832	1,367	75	1,153	319	6,615	29,123
1969 1)	15,715	438	3,996	1,385	76	1,126	328	6,783	29,845

1) Provisional Figures

OKK - General Local Health Insurance Funds
LKK - Land Health Insurance Funds
IKK - Trade Association Health Insurance Funds
SKK - Seamen's Health Insurance Funds;
KnK - Miners' Special Scheme Health Insurance Funds
EK - Manual Workers Mutual Benefit Funds
EK An - Non-Manual Workers Mutual Benefit Funds

Source: Survey of Social Security, p. 128.

determined yearly by law, according to a formula that reflects changes in the national wage levels).

Under the legislation of 1971, employers became obligated to pay toward high-income white-collar workers' health insurance regardless of whether they were compulsorily or voluntarily insured. With these new changes:

> Those who move into the public system will be benefiting from rates for coverage that are generally lower than the premiums they have been paying for private insurance. Secondly, those who earn above the ceiling will now be receiving supplementary payments toward their coverage from their employers.
>
> Since the health insurance ceiling is also used to determine the taxable base for contributions, the system's finances should improve as a result of the increase and, in fact, are expected to show a surplus of an estimated DM 1.46 billion this year in contrast to the deficits of recent years. This small reserve, however, will provide only a temporary cushion against rapidly rising expenditures. Rising payments are not only due to universal rising hospital and pharmaceutical costs, but also to an increased drain on finances that can be expected from the extended coverage of medical benefits permitted by new regulations. The cost of these additional medical services (mainly physical examinations for children under 4 years, women over 30, and men over 45 years of age) is estimated at DM 200-400 million during the first year.*

Contributions by the insured to the health insurance fund are about 4% to 5% of earnings depending on the fund; those of the employer are 4% to 5.5%.

Benefits

Benefits in kind--that is medical treatment, medicine and services for which the insured person is not required to pay and then receive a refund--are the most usual form of health insurance benefit. In 1968, the ratio of benefits in kind to cash payments was 4.5:1; this is expected to increase by 1973 to 8:1 as a result of the introduction of continued payment of wages benefits to manual workers.

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*Joseph G. Simanis, "Health Insurance Legislation in West Germany," in the section "Social Security Abroad," Social Security Bulletin, June 1971.

The following table gives an overview of the type of service covered by the health insurance program as of June 1970.

Recently more emphasis has been placed on preventive treatment. New regulations have allowed for free physical examinations for early diagnosis of diseases for children up to the age of four, and for the early detection of cancer among women age 30 and over and men 45 years and over.

The other major aid in addition to the benefits listed above for an employed person who becomes ill is the continued payment of his/her earnings for the first six weeks of incapacity for work. Since January 1, 1970, all employees who are unfit for work must be unconditionally paid their gross salary by the employer for a period of six weeks. At the same time the employee may be receiving spa treatment, approved and paid for by an insurance fund. No waiting days are required for the payment of wages, but the employee must have actually taken up employment, not be employed on a temporary basis and, in the case of women, not be in receipt of maternity benefits.

Some figures in regard to the benefits given in the list above are the following:*

> Annual cost of medical treatment per member of a social insurance fund (not including pensioners): 26.20 DM in 1950, 71.25 DM in 1960, 129.07 DM in 1964, 149.80 DM in 1968.

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*Survey of Social Security, pp. 133-135.

Type	Benefits in kind or cash	Insurance law title of benefit general	Special	Obligatory or discretionary benefit	Standard benefit or additional benefit
Medical treatment	kind	Sick aid	Nursing	Obligatory	Standard
Dental treatment	kind	Sick aid	Nursing	Obligatory	Standard
Medicines	Kind	Sick aid	Nursing	Obligatory	Standard
Minor medical aids	Kind	Sick aid	Nursing	Obligatory	Standard
Major aids	Kind or cash	Sick aid	Nursing	Obligatory	Standard only in Hamburg, Schleswig-Holstein, Lower Saxony, North Rhine Westphalia
Dentures	Kind or cash	Sick aid	Dentures	Discretionary	Standard
Sick pay	Cash	Sick aid	Sick pay	Obligatory	Standard
Household allowance	Cash	Sick aid	Sick pay	Obligatory	Standard increase: additional
Hospitalization	Kind	Sick aid	Alternative benefit	Discretionary	Standard
Home nursing and attendance	Kind or cash	Sick aid	Nursing	Discretionary	Standard only in Hamburg, Schleswig-Holstein, Lower Saxony, North-Rhine Westphalia
Medical aids	Kind or cash	Sick aid	Nursing	Discretionary	see "Major aids"
Convalescent treatment	Kind	Sick aid	Nursing	Discretionary	Standard only in Hamburg, Schleswig-Holstein, Lower Saxony, North-Rhine Westphalia
Medical treatment inclusive per examinations	Kind	Maternity services		Obligatory	Standard
Medicines, bandages and other aids	Kind	Sick aid		Obligatory	Standard
Midwifery	Kind	Sick aid		Obligatory	Standard
Lump sum on confinement	Cash	Sick aid		Obligatory	Standard
Maternity allowance	Cash	Sick aid		Obligatory	Standard
Death benefit	Cash	Sick aid		Obligatory	Standard increase: additional

Source: Survey of Social Security, p. 131.

Annual expenditure for dental services per member: 7.56 DM in 1951, 20.24 DM in 1960, 61.71 DM in 1968.

Amount paid out annually per member for medicines, curative and medicinal aids bought in apothecaries: 15.76 DM in 1951, 34.96 DM in 1960, 51.65 DM in 1964, 89.54 DM in 1968.

Annual expenditure for hospital and spa treatment per member: 24.84 DM in 1951, 81.60 DM in 1964, 132.12 DM in 1968.

Only doctors who are registered with an insurance fund can practice under social insurance. This can be any doctor who wishes to join and can satisfy certain professional conditions. The insured employee can go to any registered doctor he wishes to.

The number of registered doctors in 1959 was 36,864; in 1965; 43,765 and in 1969, 44,188. In addition, in 1969, 2,478 doctors who were department heads in hospitals were also members of insurance funds.

3. Other Social Benefit Programs

Germans are also protected against all kinds of hardships connected with employment, family, disability, the war and special exigencies. In addition, the recent movement to enable workers to have a greater share in capital accumulation has brought about federally-supported savings and investment plans. Moreover, significant social reforms, which are bringing workers into greater participation in economic decision-making, will undoubtedly exert a strong influence on the shape of social benefits and place an expanding emphasis on vocational training programs, employment opportunities, aid to young graduates and the recruitment of labor for industry. The plans for change appear to be so encompassing that one author contends:

> Employee training activities could thus be taken away from companies and placed under the state educational system; and labour law would be put together in one single legal package protecting the employee in all aspects of his working life.[*]

Changes in this direction are already taking place. A recent article in the German press comments on the new moves in vocational training.[**]

> Vocational training, after being neglected for decades, has suddenly emerged as the darling of educational planners. Both government and Opposition educationalists are determined to ensure that in the future 1.3 million apprentices and trainees are better served than has been the case in the past.

The plan, in this particular case, is to provide all young people leaving school with one year of vocational basic training. The Federal government proposes to make the training year the basis of all vocational courses--reform proposals have been made public, not only by the SPD government, but also by the other major political parties, the CDU, CSU and FDP. The question is how to find enough money and teachers to support such a large-scale program.

In another recent move, the city (it is also a state) of Hamburg has enacted legislation entitling all employed persons to two weeks paid leave every other year for vocational training. Employers must pay full wages to employees on educational leave, in addition to other legally paid holidays and vacations. The bill was passed by an overwhelming majority of Hamburg's city council. Similar bills have been brought up in numerous other states over the past few years and the Federal government has also undertaken certain moves in this direction since 1970. However, the costs of all sorts to employers and government of implementing such a program on a national level appear enormous.* These two recent moves in implementing training do give some idea of the scale of social reforms being considered by the government.

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[*] Oliver Lorsignol, "Germany: Yes, the Sky Really is the Limit," Vision, No. 38, January 15, 1974, p. 35.

[**] By Heide Nullmeyer in the Frankfurter Rundschau, February 9, 1974, translated in The German Tribune, No. 620, February 28, 1974, p. 4.

a. Industrial Accident Insurance

Accident insurance covers cases in which an employee has an accident due to or during employment. The benefits are far-ranging and all employed persons are automatically insured against work accidents by employers' contributions to the scheme. An inadvertent side-effect of the coverage is mentioned here because of the official attitude.

> Technically, the extent of insurance coverage which guarantees the insured a secure income could result in the insured receiving more in benefits and compensation than he normally would have earned. To avoid this socially undesirable effect, the total income of a person who receives both accident compensation and benefits may not exceed 85% of the applicable general base factors. The Survivor's benefits are governed by similar regulations.*

b. Unemployment Insurance

Since 1968 Germany has had the lowest unemployment rate of all major industrial nations. From 1969 to 1972 the rate was under 1%: unemployment was virtually nonexistent, while at the same time, about 2,300,000 foreign workers (about 10% of the total labor force) were brought in to fill jobs. (This number increased to well over 2-1/2 million in 1972.) Joblessness rose to 1.2% in 1973 and is expected to go to 2% in 1974.

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*From an article by Barbara von Jhering in Die Zeit, January 25, 1974, translated in Ibid., p. 4.

**Germany: Social Security Program, German Information Center, New York, New York, p. 10.

The amount of benefits provided by unemployment insurance is more dependent on the prevailing economic and employment conditions than any other type of social security benefits. Unemployment insurance is compulsory for all manual and white-collar workers and is supported by contributions from the insured (.65% of earnings) and the employer (.65% of payroll). The highest monthly insurable income for benefits and contributions is 1,800 DM.

The unemployment program includes unemployment benefits, unemployment assistance, health and accident insurance as a recipient of benefits, promotion of vocational training and further training, employment of the disabled and handicapped, cash benefits during training, short-time working benefits, inclement weather payments, promotion of winter building, creation of jobs, support of employment in Berlin and adjustment aid for miners.

Under unemployment benefits a single unemployed person receives an average of 62.5% of his earnings, less statutory deductions, which brings the amount to somewhere between 42 and 60% of his previous gross earnings. The assessable amount of earnings cannot exceed 1,800 DM per month or 415.39 DM per week. In addition, a family allowance of 12 DM per week for each dependent is provided.

A person may claim unemployment benefits if he is available for work, has fulfilled the contributions conditions and is registered with the Employment Exchange. Anyone working 20 hours a week or less is considered as unemployed. Those claiming unemployment benefits must have worked in an insurable occupation for a minimum of 6 months in the 3 years preceding the claim in order to be eligible. If a person has worked longer than 6 months during the 3 years, he is entitled to receive benefits for a longer period of time, commensurate with the length of time he had worked.

To receive benefits, an insured must not have left work voluntarily, have been discharged because of industrial misconduct, have refused work or refused training. There are no waiting days before claiming benefits.

If unemployment benefits are not payable because a person does not satisfy the qualifying period or benefits have been exhausted, then unemployment assistance can be given. The rates of payment are lower than those for unemployment benefits.

In 1965, 1966 and 1969, with the low rate of unemployment in the Federal Republic, inclement weather payments were considerably higher than unemployment benefits.* However, a report submitted to the Cabinet on February 6, 1974 by the Minister of Economics pictures 1974 as a year of economic hardships compared to the remarkably prosperous years of the recent past. The report predicts a 2% rate of unemployment in 1974, a rise in the GNP of from 0-2% (5.3% in 1973), a climb in consumer-goods prices to 8-9% (7.2% in 1973), and a cutback in the balance of international payments surplus. With only a 2% expected unemployment rate, lower than most industrial nations, the Cabinet has already agreed to approve increased spending on projects to be financed from public funds, if this is considered necessary to offset the rise in unemployment.**

c. Quota Employment

The German system of quota employment--the mandatory employment of severely handicapped persons--originated in 1919. In 1973 a draft for the latest reform of the Severely Handicapped Law was passed; it was considered to be the key to an SPD/FDP "Programme of Action for the Promotion of Rehabilitation." The severely handicapped covered by the law are persons with physical, mental or psychological handicaps, regardless of cause--sickness, war or labor accident--that reduce their employability by at least 50%. Some of the new regulations of the law are as follows:

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*Survey of Social Security, p. 187.

**_The Bulletin_, No. 6, Vol. 22, February 12, 1974, pp. 33 and 36.

> In future, all severely handicapped persons are to receive a special right to employment, regardless of the cause of their disability. Public and private employers--providing they have more than fifteen jobs at their disposal--are to make available to the severely handicapped six percent of all jobs. Those who do not comply with this obligation are to pay a compensatory sum of DM 100 per month for each job to which, according to the law, a severely handicapped person is entitled. The compensatory payment will be used to promote rehabilitation.
>
> Further, the Federal Government recommends that all severely handicapped persons should receive extended dismissal protection: It will be possible to dismiss a severely handicapped person only with the agreement of the main welfare office and with a minimum period of dismissal of four weeks.
>
> Annual supplementary leave of six week days for all severely handicapped persons is foreseen.*

The new law creates about 980,000 jobs that must be made available to the severely handicapped by 104,271 concerns and administrations. Although it is estimated that about 870,000 jobs will be filled, the surplus is considered important in order to leave some leeway in filling the positions.

d. Children's Allowances and Family Benefits

The children's allowance program began in West Germany in 1954 on the basis of providing an earning supplement to families who were financially burdened. Coverage was for all families with three children or more; in 1961 this was extended to include the second child in low-income families. In 1964 the Federal government took over the entire financing of the program and placed it under the supervision of the Federal Minister of Labour and Social Order.

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*Internationes, May 1973.

Under the present scheme, all German residents with two or more children who are not receiving this type of allowance from any other source, are eligible to receive children's allowances. Allowances are payable for the second child if the family income does not exceed 13,250 DM per year ($4,763 as of January 1974 rate) or 1,100 DM per month (formerly 7,800 DM a year).

Children may receive benefits if they are legitimate, adopted, legitimatized, illegitimate children of an insured female or male, stepchildren, foster children, grand children or brothers and sisters being taken care of in the household. The allowance is paid through the child's 18th year, but the child may continue to receive payments up to his 25th year if he is receiving further education or vocational training.

Aside from the payments made for children under the specific Federal law, in West Germany children's allowances are also paid to recipients of social insurance benefits. This includes pensioners, war veterans and victims; those receiving unemployment or accident insurance; and recipients of social aid. The allowances for the various programs as of June 1970 are given in the table below.

In addition to the children's allowances, taxpayers receive a deduction on their income tax for children--as of 1970, a deduction of 1,200 DM for the first child, 1,680 for the second and 1,800 DM for each additional child.

AMOUNTS OF CHILDREN'S ALLOWANCES

Branch	DM per month		Remarks
Fed. Children's allowances	1st child 2nd child 3rd child 4th child from 5th child	NIL 25.00 50.00 60.00 70.00	In respect of the 2nd child there is an upper income limit (7.800 DM) if there are no further children
Pensions Insurance	ArV + AnV each child each child KnRV ea. child	 81.50 82.40 86.00 86.90	current pensions new pensions from 1970 current pensions new pensions from 1970
Accident Insurance	100% of pensions to a maximum of From the 2nd child onwards the rates payable under the Fed. Children's Allowances are also payable	200.00	The maximum amount payable is based on maximum annual earnings. If the statutes of the Fund permit of higher amounts the children's allowance is correspondingly higher.
Unemployment Insurance	each child	52.00	This amount is based on a weekly payment of 12 DM
War Pensions	each child	50.00	
Equalisation of Burdens	each child	70.00	
Social Aid	up to 7 yrs. 7 - 14 14 - 18 18 and over	67.00 99.00 119.00 108.00	Average standard rates for the Federal Territory in 1970
Public Services	1st child 2nd-5th child from 6th child onwards	90.00 97.00 108.00	Payable in the case of established officials, non-manual and manual workers. The children's allowance amounts to 50 DM. The balance is a local differential, or (in the case of manual workers) a social supplement.

e. Capital Formation in the Hands of Workers

Some programs of particular interest should be mentioned here. These are the schemes which have been introduced to promote accumulation of capital among workers. Under the newest legislation--the Third Capital Accumulation Act of June 27, 1970 (the so-called DM 624 Act)--employees savings are supplemented by a government grant of 30-40%. The maximum amount that qualifies for the grant has been raised to 624 DM a year. At the same time there has been a sharp increase in the number of collective agreements made between employers and employees on capital accumulation benefits. In 1969 there were 91 such agreements and in 1971, 850. The number of employees who received capital accumulation benefits increased from 5.7 million in 1969 to 15.1 million in 1971.

Savings accumulated under the DM 624 Act can be invested to advantage in various schemes which in combination yield considerably higher returns.

You have a choice of six possibilities:

Payment under the Savings Bonuses Act

Payment under the Housing Construction Bonuses Act

Payments for the construction, purchase, enlargement or disencumberment of a home or dwelling for personal use, or for the disencumberment of a building plot

Payments for the purchase of shares in the employer's company at preferential rates

Investment in the business of the employer in the form of a loan

Life insurance premiums*

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*More Social Justice, p. 84.

Allowances under these acts are graded according to family status, number of children and amount of income, so that families with more children and lower incomes receive more benefits.

Programs of this type are likely to become more intensely developed within the near future if the Social Democrats carry out plans for the increasing participation of workers in economic decision-making and capital sharing. The shape of these plans was briefly discussed earlier in the paper at the beginning of this section, "Other Social Benefit Programs."

f. Social Assistance

"...and there's even provision for the odd man out" reads the title of a recent article on social assistance.* "As a result of West Germany's much envied social insurance system," it goes on to say, "anyone leading a normal life in the Federal Republic--anyone who remains healthy over a number of years and continues to work--is comprehensively covered for most of the vicissitudes of life, sickness, accident, unemployment and finally old age. But what about the exceptions" it asks--those who for certain reasons have never worked or have worked for only short periods of time, persons such as the physically or psychically handicapped, young widows with small children, old people with no benefits or very low pensions, expectant mothers not socially insured, who have no income of their own or relatives who can provide help?

> "Social assistance is a sort of net which catches all those cases for which no one else believes themselves responsible. The citizen can rest assured that there

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*Social Policy VI: State and Voluntary Assistance: ...and there's even provision for the odd man out," German International, December 1973, pp. 28-30.

> is, in any event, a final instance he can turn to and which will render assistance when he is in need," stated the important liberal weekly Die Zeit not long ago.*

Recently I asked two German friends who are well-educated and have highly regarded positions here in the U.S.--one is a physicist, the other a business manager in a firm--who the persons are who are receiving social welfare in Germany and how they are thought of. The physicist had been living in the U.S. for about ten years; the business manager about two. Both said that there were never more than two or three families in the village receiving welfare and they were thought of as the mentally deficient, the peculiar or the village outcasts. My friends also thought of them the same way. There was no question that every family was expected to care for itself; those in town that didn't were considered deviant.

Yet this attitude may have changed somewhat in recent years. Under the Federal Social Aid Law codified in 1962, social assistance was brought up-to-date and given the aspect of the right-to-claim rather than asking-for-charity. A number of subsequent amending laws--particularly those introduced since 1969 by the SPD/FDP government--increased benefits and improved the structure of social aid. Improved measures for the integration of handicapped persons were also introduced.

The following tables give the numbers of recipients of social aid in certain years from 1950 to 1968 and a more detailed breakdown for the years 1967 and 1968.

Social assistance is provided either to meet the cost of living or special exigencies. The basic principle behind social aid is that it is

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*Ibid, p. 28.

RECIPIENTS OF SOCIAL AID AT THE END OF THE YEAR
(in 1,000s)

Year	Total	Recipients not in Institutes	In Institutes
1950	1,628	1,293	335
1955	1,328	922	361
1960	1,108	792	316
1965	1,404	1,044	360
1967	1,531	1,117	446
1968	1,503	1,084	454

Source: Survey of Social Security, p. 238.

PUBLIC ASSISTANCE*

Type of aid according to the Federal Law on public assistance	Total		Outside Institutions		In Institutions	
	1967	1968	1967	1968	1967	1968
			Assisted persons, 1,000[2]			
Total[1]	1,531	1,509	1,117	1,083	445	455
Current subsistence aid	835	797	782	746	54	53
Assist. prov. under spec. circumstances	925	946	542	544	404	415
			Gross expenditure, million DM			
Total	2,550	2,671	1,243	1,265	1,307	1,406
Subsistence aid	975	989	785	793	190	196
Current assistance	-	-	664	669	-	-
One-time assistance	-	-	122	124	-	-
Assist. prov. under spec. circumstances	1,575	1,682	458	472	1,117	1,209

*Only individual assistance.

[1] Excl. persons with no fixed residence as well as persons who received only one-time assistance; further excl. group cures within the scope of preventive health measures. Persons who received several kinds of aid were counted in each category.

[2] 1968 preliminary figures.

Source: Handbook of Statistics 1970, p. 138.

to be considered secondary help, that is, it is given only when a person is unable to help himself or obtain aid from relatives or another source that would provide benefits relating to his particular circumstance. In 1950, social aid in the form of cash benefits exceeded that of benefits-in-kind; but since that time this has been reversed. Although in 1968 the number of recipients in institutions was about one-third of the total recipients, more social aid benefits were given out for treatment in institutions than were paid as cash benefits to those outside institutions. This is mainly because a large number of people receiving cash benefits received only single payments.

EXPENDITURE FOR SOCIAL AID
(In mill. DM)

Year	Cash Benefit	Treatment in Institutes	Total	1950 = 100 %
1950	693	348	1,040	100
1955	696	552	1,248	120
1960*	572	526	1,199	115
1965	1,045	1,061	2,106	203
1968	1,266	1,405	2,671	257

*nine months

Source: Survey of Social Security, p. 248.

Federal legislation provides for social aid to be given either as a maintenance allowance for food, clothing, housing, heating, household effects and even as a means for participating in social or cultural life; or as a benefit which has been called by the government, "Aid in Special Situations in Life." This includes assistance for establishing or securing a means of livelihood, vocational training aid, preventive health measures, sick aid, help for expectant mothers and those just delivered of babies, aid to the blind, tuberculosis patients, the sick and handicapped, the aged, endangered persons, Germans living abroad, help in the home and integration aid for the handicapped. The social assistance program is the responsibility of the Federal Ministry of Youth, Family and Health which has under it 25 Federal and state and 557 local district associations. The local authorities administer the social assistance (in 1972 they paid out three-quarters of all social aid benefits). Governmental social aid is augmented by the work of voluntary welfare organizations, such as "Caritas" the Catholic welfare organization, the Protestant association, "Inner Mission," the "Workers' Welfare Inc.," the "German Parity Welfare Association, Inc." and the German Red Cross.

> About two million people in need of help are cared for daily, 800,000 of them in institutions and homes, 900,000 in day care centers, kindergartens or similar establishments, about 400,000 assistants follow full-time employment in welfare; hundreds of thousands are voluntary workers.
>
> Expressed in percentages: the six voluntary welfare associations are responsible for 37 percent of all hospitals and special clinics. 75 percent of all children's and juveniles' homes and 57 percent of old people's and nursing homes are also establishments run by the welfare organizations.
>
> Social assistance gives financial support to welfare association establishments but is not permitted to found its own establishments (e.g. kindergartens and old people's homes) if a sufficient number of establishments maintained by the welfare organizations are available.*

It is interesting to note that the help given by the welfare associations to foreign workers is divided among the associations, so that the Turks, Yugoslavs, Tunisians and Moroccans are cared for by the Workers' Welfare organization, the Italians and Spaniards by Caritas and the Greeks by Inner Mission Charity Foundation.

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*German International, December 1973, p. 29.

Federal social aid is granted for maintenance allowances only when income has been established, and it is given as a benefit or an additional needed benefit to raise basic income to the subsistence level. If, for example, an elderly couple is receiving a pension which falls short of what they need to pay living costs, then social aid will make up the difference. Furthermore, this aid may have to be later refunded if the recipient or his accountable relatives are receiving a reasonable income. Thus, sometimes old persons, for example, may not want to take social aid, as a refund may be demanded from their children.

Outside of institutions, maintenance allowances are normally given in the form of cash payments; and although, in principle, the allowances can vary with the situation, they are paid according to an amount decided by each state

Rates of payment have been set up proportionally among family members. As of June 1970, these proportions were:*

Head of household	100%	of the fixed rate of the head of the household
Members up to age of 6	45-50	
Members between 7 and 13	70-75	
Members between 14 and 17	85-90	
Members 18 and over	75-80	

An average type of maintenance allowance per month for an elderly couple in 1970 was the following:**

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[*] _Survey of Social Security_, p. 239.

[**] _Ibid._, p. 240.

> Since the middle of 1970 the following rates of maintenance allowance may be accepted as the Federal average for a married couple over 65 years of age:

Head of the household.	154.00 DM
Wife	119.00 DM
	273.00 DM
30% additional needs supplement. .	81.90 DM
	354.90 DM

Single persons receive the same rate as head of household. Rent allowances and single payments for needed items are generally paid in addition to the fixed rates. Also, additional allowances are payable for such persons as those over 65, those living alone, those who are unemployable, those bringing up several children, expectant mothers and employed persons.

The following table shows some of the Federal average payments of maintenance allowances from 1957 to 1970, with 1957 as the base year. As can be seen, maintenance allowance allowances climbed 120%-150% from 1957 to 1970.

And finally, the next table shows the public expenditures in 1967 and 1968 for the various types of social aid, under the basic schemes of maintenance allowances and "aid in special situations in life."

According to the book quoted above, issued by the Federal Minister for Labour and Social Affairs, the attitude of the welfare authorities should be:

> to ensure that the applicant is genuinely seeking work, and that he receives an offer of work. If he refuses work he can reasonably be expected to accept, his claim for social aid lapses. In the event of persistent refusal to cooperate, aid may be reduced to the subsistence minimum, or he may be required to enter a home or an institute by order of the courts.*

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*Survey of Social Security, pp. 239-240.

CHANGES IN THE SCALE OF ALLOWANCES IN SOCIAL AID
(AS ACCOUNTANCY AVERAGES)

Year	Single Persons		Heads of Household		Members of Household over 18		18-14		14-7		Under 7 years	
	DM	1957 100%	DM	1957 100%	DM	1957 100%	DM	1957 100%	DM	1957 100%	DM	1957 100%
1957	70	100	63	100	51	100	51	100	45	100	35	100
1960	84	120	75	119	63	124	63	124	56	124	41	117
1965	118	169	118	187	91	178	100	196	84	187	56	160
1968	131	189	131	208	103	202	114	223	94	209	63	180
1969	137	194	137	217	107	210	119	233	98	218	66	189
1970	155	220	155	245	120	233	133	261	110	242	72	206

Note: To these scales of allowances must be added Rent Allowances and an Old Age Allowance of 30% (up to 30.9.65 = 20%).

Source: Survey of Social Security, p. 239.

EXPENDITURE FOR SOCIAL AID (ACCORDING TO DIFFERENT TYPES IN MILL. DM)

Types of Aid	Outside Institutes 1967	Outside Institutes 1968	In Institutes 1967	In Institutes 1968	Total 1967	Total 1968	Increase or Decrease in %
Maintenance Allowance Totals	785.4	793.0	189.8	196.5	975.2	989.5	+ 1.5
Current Allowance	663.6	669.3	--	--	--	--	--
Single Grants	121.8	123.8	--	--	--	--	--
Aid in special Exigencies - Totals	458.0	472.4	1117.2	1209.2	1575.2	1681.7	+ 6.8
Aid for the Establishment or Securing of Means of Livelihood	1.1	1.2	--	--	1.1	1.2	+ 7.8
Training Grants	16.4	19.9	8.9	9.0	25.3	28.9	+14.2
Preventive Health Measures	4.4	4.4	58.8	59.3	63.2	63.7	+ 0.8
Sickness Grants	102.7	110.1	132.2	135.6	234.9	245.8	+ 4.6
Aid for Expecting and Nursing Mothers	1.0	0.9	1.9	1.8	2.9	2.7	- 4.2
Integration Aid for Handicapped Persons	61.3	72.9	149.3	165.9	210.6	238.8	+13.4
TBC Aid	101.5	94.6	29.8	27.8	131.2	122.4	- 6.8
Aid for the Blind	91.1	88.9	3.7	4.7	94.8	93.7	- 1.2
Nursing Grants	63.4	63.4	714.6	785.6	778.0	849.0	+ 9.1
Home Helps	7.5	8.1	1.7	2.0	9.2	10.1	+10.5
Aid for Endangered Persons	0.2	0.2	11.6	12.1	11.8	12.3	+ 4.5
Aid for the Elderly	5.5	6.0	3.9	4.2	9.4	10.2	+ 9.1
Other Types	2.1	1.9	1.0	1.1	3.1	3.0	- 1.7
Totals	1243.4	1265.5	1307.0	1405.7	2550.4	2671.1	+ 4.7

Source: Survey of Social Security, p. 245.

This seems to be the official position and is in line with the basic attitude of government and citizens. I have no knowledge of whether this is actual practice.

E. The Question of Poverty

Because of the comprehensive nature of the West German social security system, the employability until this year of almost all West German workers and the ability of most Germans to afford the amenities of life throughout the recent years of great prosperity--despite inflation--I find it difficult to pinpoint the condition of poverty in West Germany. Nowhere in the literature of West German social systems I have read have I found mention of the phrase so heavily stressed in the U.S., "the poverty line." How are we to measure poverty? By the housing, the slums, income, what you can buy, the diet, the spread of income from poor to rich, unemployment, social security benefits and earnings replacement, available education, cultural deprivation, social and racial discrimination and alienation, values and behavior, national characteristics and expectations? In West Germany one does not see poverty as it can obviously be seen here in housing and slums and black sections of the cities and of the southern countryside (though this cannot be said of the foreign workers, for various reasons). But frequently, the housing--especially in villages--is not at the level we expect it to be in the eastern U.S., and it is considerably more expensive to build a home in Germany than here. A pensioned widow living alone in a town in West Germany may have a low income, but the small apartment she lives in is sunny and neat, she has a stove and refrigerator and she can even sometimes manage a visit to relatives in a distant town or a trip to the Schwarzwald with the Frauenbund. There might be a huge gap between the amount of her income and that of a head of a business firm. (As of 1964, income distribution in West Germany was surprisingly less equally distributed than in the U.S.: 5.3% of total money income in West Germany was received by the poorest fifth, but 52.9% by the richest fifth [41.4% by the richest tenth].)*

There are clearly numerous exceptions to this and there are unaccounted for older people, particularly women, who are living below subsistence level, but who will not apply for Social Assistance. One such study on West Germany assumes that more of these very poor older people are living in rural areas than in the cities. The study states that "a person is described as poor if his total life situation lies below a subsistence level which is acknowledged as the minimum by dominant public consensus." In the Social Assistance law, poverty is considered to be a condition in which a person is "unable to achieve subsistence, that is his requirements for food, clothing and shelter...[and] also...if he is unable to satisfy his cultural and social requirements e.g. if his ability to maintain contact with his environment is seriously impaired, on account of his inability to obtain essential material goods by his own strength and effort." An average subsistence level in DM's is set by the various States (Laender) by the granting of a standard allowance plus a special needs allowance and rent payment. In 1965, these allowances totaled to an average of 200 DM for a single person and 300 DM for an elderly couple.

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*Income distribution figures from Jacqueline R. Kasun, "United States Poverty in World Perspective," Current History, Vol. 64, No. 382, June 1973, p. 250.

The author of the study feels, however, that in view of the intention of the Social Assistance legislation to include provision for cultural and social activities, another minimum subsistence level should be set.

> The second minimum subsistence threshold amounts to DM 300 for a person living alone. This level has been established on the basis of empirical research and indicates the approximate income which is required if old people are able to participate in cultural activities and maintain social contacts. Our investigations have revealed that those whose income is below this sum are not in a position to make or receive visits, that it is almost impossible for them to take part in cultural activities, and that they are hardly in a position to take a holiday away from home. These people are uninterested in political affairs, and, compared with people with higher incomes, they participate least in the activities of their local church.*

For an elderly couple this socio-cultural subsistence allowance would be 400 DM.

Therefore, one aspect of poverty in West Germany may be seen to be in the condition of persons who, for reasons beyond their control, are destined to live below the subsistence level and yet will not accept Social Assistance. In the case of elderly persons, this situation may be particularly acute. A clear account of the problem of the elderly poor is given in the study mentioned above, and I would like to quote the long passage describing it in its entirety (including its footnote):**

> How many old people have incomes which lie below the above-mentioned subsistence levels? To begin with we shall consider those who depend entirely on social assistance funds, who have no other source of income of any kind. In the large cities about 1 per cent of those above the age of 65 depend exclusively on Social Assistance, and another 1

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*Otto Blume, "The Poverty of Old People in Urban and Rural Areas" in Peter Townsend, ed., The Concept of Poverty (London: Heinemann, 1970), pp. 184-186.

***Ibid.*, pp. 187-189.

per cent receive allowances to supplement extremely low insurance benefits. For example, if these benefits amount to DM 100 Social Assistance will make a supplementary grant of DM 100. To translate these percentages into absolute figures, we reach the following results: if one takes a city with a population of 1 million, one finds that about 100,000 are above the age of 65. In a city of this size it will be found that about 1,000 persons above the age of 65 depend entirely on Social Assistance funds, and a further 1,000 receive supplementary allowances because their insurance benefits are inadequate for physical subsistence.

Who are these 2,000 persons above the age of 65, and what are their social characteristics? 90 per cent are women and 75 per cent of them are wives whose husbands had been self-employed as artisans, craftsmen, traders, or who had been in other occupations. These men were not subject to compulsory insurance, they had failed to make private arrangements to provide for their future, or--and this applies in the majority of cases--their private insurance premiums had been reduced to as little as 10 per cent of the original nominal value as the result of devaluation after the last war. Thus insurance incomes were enormously reduced and quite insufficient to provide an adequate pension for their widows. The remaining women are the widows of employees who died young. Their insurance contributions were consequently insufficient to assure their widows an adequate income.

At this stage it should be pointed out that men who have been employed continue to draw full insurance benefits even after the death of their wives. The wives, on the other hand, have not usually been employed, and on the death of their husbands, which in terms of statistical probability is likely to occur first, are only entitled to 60 per cent of the insurance benefits which they and their late husbands had formerly drawn together. This measure helps to explain why most old and poor people happen to be women.

In addition to these 2 per cent of people above the age of 65, living in large cities, and either entirely or partially dependent on Social Assistance, there are a further 20 per cent of women above 65 whose insurance benefits are below DM 200, but who do not claim any kind of Social Assistance at all.

What are the social characteristics of this group of women? We find the same social factors at work which determined the situation of the groups referred to above. Two-thirds are widows whose husbands had been self-employed, whose husbands had been employed for relatively short periods, had not paid adequate insurance contributions, or had lost their husbands when the latter were still quite young.

These women are reluctant to claim Social Assistance, although they are eligible for it. They include, first, persons who are in receipt of insurance benefits which fall only a little short of DM 200. These people are either too embarrassed or too shy to go to the Social Assistance Board for the sake "of a few DM." Second, there is a group of about the same size whose social prestige or self-esteem does not permit them to claim Social Assistance. Third, there is a group, the largest, which consists of those above the age of 65, who forgo making a claim because their children or grandchildren will be asked to refund any grants which they might have drawn from Social Assistance. Either because they want to avoid conflicts with their children (which arise frequently as a result of the latter's obligations to refund the Board), or because the children support their old mother of their own free will, the old people do not bother to apply for assistance. In as far as these old women actually live with their children, the sons or daughters pay the whole rent in about 50 per cent of all cases.

Absolute figures make the problem more evident. In a city with a population of 1 million one finds 100,000 above the age of 65. These 100,000 are composed of 60,000 women and 40,000 men. We found that in 1965 about 12,000 of the 60,000 women had incomes which were below DM 200 (in addition to the 2,000 women who were in receipt of social assistance). By contrast there were only 1,000 men who were in a similar position.[2] Thus, altogether about 15 percent of old people had incomes, excluding contributions from children, which were below the physical subsistence level.

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[2] According to an estimate of the Home Secretary (Bundesminsterium des Inneren) approximately 60,000 households, whose head is above the age of 65, depend entirely on social assistance, while 75,000 families receive supplementary allowances because their insurance benefits are too low. A far larger group, however, are eligible as pointed out above, to claim social assistance. If we add the women and men whose income is below DM 200, and who do not claim any kind of social assistance, to the above-mentioned group, we then get a figure of approximately 300,000 people (not quite 5 percent of the people above 65) who hardly reach the physical subsistence minimum.

In rural areas, only one-half as many elderly persons as in the cities receive social assistance (0.5%); yet a greater percentage of persons 65 and over with incomes below the subsistence level have been found to live in rural areas (22%) than in the cities (18%). The characteristics of these rural elderly poor are, however, the same as those in the cities; i.e., they are women living alone and they are generally widows of men who had been self-employed.

F. Foreign Workers

The most recent, and perhaps presently the most acute aspect of poverty in West Germany has sprung from the social and living conditions of the great body of migrant foreign workers. Here poverty may be seen to have arisen from a sudden influx of an alien minority group in tremendous numbers to the major cities of West Germany. The result of this has been the appearance of poverty, but not because of inadequate income or insufficient social security benefits. According to one writer:

> In general, foreign workers are not oppressed by their employers. In most cases they enjoy the same rights and benefits and the same wage rates for the job as local workers. This equality, guaranteed by law in most countries, is also guarded by the local trade unions to which many of the foreigners belong. Though they are concentrated in the lower-rated unskilled jobs, many foreign workers earn good pay--partly because of willingness to put in overtime. In Germany two-thirds of them make over $500 a month, and one in four drives a car.*

They are also covered for the same social security benefits that West German workers are: unemployment, accident, pension, health and children's allowances, among others.

The poverty of the foreign [illegible] has appeared rather in the syndrome of slum housing, entire poor neighborhoods becoming "Turkish," racial and economic discrimination, "menial work," limited upward mobility either in jobs or socially, social alienation due to family separations, differing customs, inability to speak German, segregation (either preferred or enforced) and political powerlessness, tinged with incipient radicalism. The situation is aggravated by the fact that the foreign workers are needed in certain industries which are concentrated in the large cities and these cities cannot absorb them rapidly enough. For example, although the 2,600,000 foreign workers make up to 10.8% of the labor force nationally, in places like Stuttgart, Ludwigsburg and Frankfurt they total over 20% of the worker population.

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*Robert Ball, "How Europe Created Its 'Minority Problem,'" Fortune, December 1973, p. 139.

According to the latest figures, 530,000 foreign workers are Turks (22.4%), 466,000 Yugoslavs (19.9%), 410,000 Italians (17.5%), 286,000 Greeks (11.4%), 180,000 Spaniards (7.7%), 69,000 Portuguese (2.9%), 15,300 Moroccans (0.7%) and 11,200 Tunisians (0.5%). Some 600,000 workers are from the Economic Community, of which the only sizable group is the Italians. The workers are usually heavily concentrated by ethnic origin in sections of the various cities by their own preference and because of the availability of housing. In the West Berlin district of Kreuzberg, for example, nearly one-fifth of the residents are Turkish; in the Old City of Cologne one out of seven is Turkish; in Hanover one out of every 30th worker is Spanish, in Pforzheim one in 20 workers is Italian; 35,000 Yugoslavs are living in Stuttgart.*

At the end of 1973, as an announced result of the energy crisis, Labor Minister Walter Arendt closed down the Federal Republic's eight recruitment centers located in Turkey, Yugoslavia, Spain and North Africa and stopped the issuance of residence or work permits to new applicants from these countries. Although the energy crisis was the immediate cause for halting the immigration, it had become clear before this time that severe social and living problems were arising from the unmitigated flow of migrant workers. Last September 1973, the government raised the fee charged to German employers for each foreign worker brought in from outside the EEC from 300 DM to 1,000 DM. Despite this, requests from firms continued to flood the official German employment service by the tens of thousands.

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*German Business Weekly, XV-48, November 29, 1973

Most of the non-EEC foreign workers arrive in West Germany with permits to work for one or two years. About one-half of the immigrant workers have been in West Germany longer than two years and one-third have been there over seven years. Foreign workers who wish to settle permanently in the Federal Republic can apply for naturalization after ten years, but there are a number of requirements and conditions which make this somewhat complicated (for anyone applying).*

The foreign workers are young: 60% are between the ages of 25 and 45 compared to 37% of the West German workers. As of January 1973, women made up about 30% of the migrant working force: of these, the greatest number of women were Yugoslavs (150,000), although there were proportionately more women among the Greeks (43%) than any other group. The number of dependents is estimated to be about one million.

The problem of illegal immigrant workers is one causing great concern, for these workers are without a status and are often subjected to low wages and extremely poor working, living and social conditions. There is no way of knowing just how many of these non-registered workers are in Germany, but estimates vary from an official 120,000 to what is termed a "conservative estimate" of 500,000.* These are considered to be mainly Turks. Under a new German law an employer can be fined up to $4,000 for the employment of an illegal immigrant.**

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*"Social Problems I: More Foreign Plants to Stem Guest Workers' Flood," German International, Vol. XVII, No. 7, July 1973, p. 29.

In July 1973, the Federal government came out with a program designed to curb the indiscriminate influx of foreign workers and to provide measures for easing the living and social conditions that surround these minority groups. Among the measures are: 1) the Federal Labor Office can be selective in granting work permits; 2) the previously-mentioned increase in the employer's recruitment fee; 3) a ban on employment agencies from hiring out foreign labor; 4) on-the-spot housing inspections of accommodations provided by firms; and 5) a proposal to ban further employment of foreign workers in areas where they make up more than 12% of the population. Only the first two measures appear to have taken effect, and whether the last can be imposed at all is uncertain.***

In a public opinion poll taken in West Berlin, 52% of all Berliners felt there should not be familiar or friendly contacts with the Turks. Only 11% of the Berliners thought the Turks were clean and even fewer, 6%, felt they were dependable or trustworthy. Some were disturbed by the strange kitchen smells.****

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*The German Tribune, Dec. 30, 1973, p. 6 and March 7, 1974, p. 14.

**John Nielsen, "A Dilemma: Migrant Workers Flood Europe," European Community, November 1973, p. 9.

***The German Tribune, No. 600, October 11, 1973, p. 4.

****"Tuerken--Die Neger von Berlin," Stern Nr. 43, October 18, 1973.

On their part, three-quarters of the foreign workers polled by the city of Frankfurt felt that they were discriminated against by the Germans.*

Housing is one of the worst situations connected with the foreign workers. In Bavaria, for example, about 40% live in accommodations provided by employers, which are like dormitories. The other 60% who want to live independently or with their families can generally afford to rent apartments only in the old, rundown housing in the poorer sections of cities, and they become subject to the usual overcrowding, poor sanitary conditions and rent gouging.** They also move together by choice; and this necessity and choice, together with the lack of available new housing which they can afford, has created segregated areas which West Germans are increasingly abandoning. If the flooding of foreign workers to cities such as Berlin, Munich, Frankfurt and Stuttgart were to continue under present conditions, then, according to a senior West German government official, the Federal Republic would be confronted with "American conditions with ghettos, a subproletariat and a division between the privileged local population and the exploited alien coolies."***

The West Germans are now confronted with the classic problem of assimilation. Theirs may be particularly difficult because West Germany was already overpopulated before the workers arrived and because until recently Germans were singularly narrow-minded toward foreignness. In addition, German society has been, and still is, imbued with a deep sense of class structure. But today the employment of millions of foreign workers is considered by industry and government to be essential to any growth in the German economy. Basically the foreign workers are filling jobs that Germans are either not interested in doing or cannot fill, as there are insufficient numbers of German workers. The West Germans are convinced of the necessity of having foreign labor, yet they have difficulties in accepting their presence and human needs. This creates all sorts of confusion and anxiety for the West Germans, such as the fear of losing their jobs in a crisis while foreign workers retain theirs or of losing their jobs to upwardly mobile foreign workers. Also, the suggestion that something extra must be done to house or create better social conditions for the recruited foreign laborers brings a feeling of inequity to some West Germans: "Why should something be done for them that isn't done for me?"

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*German International, July 1973, p. 30.

**The German Tribune, August 30, 1973, p. 4.

***The German Tribune, October 11, 1973, p. 4.

However, the problem remains. So closely is the viability of the West German economy aligned with the use of foreign labor, that the thought of halting or controlling their influx immediately brings with it a rethinking of the goals of industrialization in West Germany. One way out, which is being more and more seriously considered is investment abroad in the countries where the workers live. There are, of course, many drawbacks connected with this, but in the face of the numerous problems at home, this could become the primary means for the expansion of the West German economy. In any event, with the arrangement that nationals of the European Economic Community countries may move freely within the Community to seek work and with Turkey standing on the threshold of becoming an associate member of the EEC, it appears that

West Germany is faced with the historical inevitability that made America so great and so troubled: the penetration and assimilation of uneducated and generally unskilled alien minorities into an industrialized economy and established culture.

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DM EQUIVALENCY OF $1.00

1957	4.202	1966	3.977
1958	4.178	1967	3.999
1959	4.170	1968	4.000
1960	4.171	1969	3.690
1961	3.996	1970	3.648
1962	3.998	1971	3.268
1963	3.975	1972	3.202
1964	3.977	1973	2.703
1965	4.006		

Jan. 1973	2.838
July 1973	2.352
Dec. 1973	2.703
Jan. 1974	2.782

HI-2277-RR

Chapter V

SOCIAL WELFARE IN FRANCE

By
Andrew Caranfil

SOCIAL WELFARE IN FRANCE

A. Introduction

The past quarter of a century in Western Europe has been a period of unprecedented, although uneven, economic growth which has made possible an unparalleled degree of prosperity for most Europeans. It has also been a period of unprecedented social progress, during which radical new approaches to social policy have been adopted and the concept of the responsibility of the state for the welfare of all its citizens has been widely accepted. But the impressive achievements of the postwar era have brought with them new problems of government and management. The relatively high standards now enjoyed by the many have only served to highlight the plight of those who have failed to benefit from the general improvements in prosperity. Thus, despite impressive social security and welfare schemes, there remain large pockets of relative poverty among the poorest paid workers, the inhabitants of depressed regions and many of those living on fixed incomes eroded by inflation. The adequacy and effectiveness of the social services provided to meet specific social needs have been increasingly called into question.

While even in the more affluent and egalitarian societies of Europe social security has not abolished poverty, it has reached a high degree of development with comprehensive coverage. In France, as in the other leading EEC countries, a rising share of the national income is channeled through the social security system, which is slowly adapting to the changing social scene.

Still, inequality persists in the booming French society and the current government has been particularly attacked on the issue of inadequate distribution of incomes. It appears that poverty coexists with growth and prosperity, but each tends to ignore the other. There is no official recognition of poverty as an issue.

Special measures have been taken to improve the lot of the most underprivileged sections of the population. These have included provision of subsidized services for the poorest people; the improvement of social security schemes, including supplementary benefits for the very poor; special measures to revitalize economically backward regions and thus to improve the standards of living of the inhabitants of those regions; measures to sustain the incomes of old-age pensioners and others living on small fixed incomes constantly being eroded by inflation; measures, in some cases, providing certain facilities for migrant workers.

Measures such as these have certainly contributed to a raising of the living standards of the poorest sections of the population. But their impact on the overall distribution of income is uncertain. Statistical inadequacies make it impossible to give a true picture of changes in income distribution.

Origins of Anti-poverty Programs in France

As the concept of modern state developed, so did the idea of its obligations towards the unfortunate. Problems of social assistance were tackled during the French Revolution, when a "Committee for Mendicity" was created to protect society against the growing pauperism which was becoming a danger to public safety. The Chairman of this Committee in 1790, La Rochefoucauld-Liancourt, was instrumental in setting up the principles of assistance as a means of protection of the individual. He noted that:

> "People have always thought of doing charity to the poor, but never of asserting the rights of the poor man upon society and the rights of society upon him. The organization of assistance should be written into the Constitution. Care for the public welfare is not a compassionate virtue, it is a duty, it is justice. Wherever there is a class of man without subsistence, there is a violation of the rights of man. The social balance is upset." *

It was on the basis of these principles that during the 19th and 20th centuries the present system of social aid was constructed, based on solidarity and the right of the individual to assistance.

But it was after 1871, with the advent of the Third Republic, that the principles of public assistance were to take shape. The idea that the sole aim and purpose of social assistance was to do away with pauperism, because of its threat of the ruling establishment, gave place to the more generous idea of social solidarity. In 1893, on passing the Act for Free Medical Attention, the Higher Council for Public Assistance defined the principles of public assistance in the following terms:**

> "Public assistance is owed to those who find themselves temporarily or permanently unable to provide themselves with the necessities of life. It is owed only in the absence of any other assistance....Assistance should always be organized in such a way that the Administration is financially interested in keeping down the number of assisted persons. There should be a right of recourse if such limitation of numbers is excessive.... Public assistance is an expression of national solidarity. It should be afforded not only by society to the individual, but also between groups, the richer communities helping the poorer departments."

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*La Documentation Francaise, Social Welfare in France, Paris 1965, p. 131.

**Social Welfare in France, p. 132.

Social Insurance History

While some form of social insurance existed in France since the late 19th century, the movement toward unified, extended coverage began only after World War II. Before the 1945 legislation, the right to social insurance benefits was dependent upon payment of contributions. In cases of industrial injuries, the employer was held responsible. Family allowances were regarded as a complement to wages and salaries. While family benefits were paid to both employed and self-employed heads of families, only employed persons were covered against other social risks.

The 1945 legislation grouped together the existing legislation. It provided cover for the entire population by doing away with the income ceiling instituted in 1930, above which persons ceased to qualify for social protection, by ultimately integrating preexisting special plans into the general program and by eventually extending protection to the self-employed and their families.

To ensure the independence of the system, the possibility of state financial participation was ruled out. It is financed by contributions from employers and employees, calculated in percentages of wages and salaries up to certain ceilings.

Coverage of the various social risks is managed through a unified network of regional agencies called _caisses_, and it has been extended to farmers, independent shopkeepers and members of the liberal professions. Voluntary coverage is available to all persons residing in France who are not covered by a mandatory form of coverage.

There are three basic agencies:

1. Caisse Primaire d'Assurance Maladie which pays sickness, maternity, disability and death benefits, and workmen's compensations for professional accidents and illnesses.
2. Caisse d'Allocations Familiales which pays family benefits.
3. Caisse Nationale d'Assurance Vieillesse which is a national agency paying old age insurance, and has local agencies in certain areas.

Each of these agencies is managed by a board of directors, composed of employer and employee representatives, in equal number. The various benefits are financed by contributions from both sides, which are collected in each area through a separate regional collecting agency called Union pour le Recouvrement des Cotisations de Securite Sociale et d'Allocations Familiales. The funds are then funneled to the paying agencies through a central agency called Agence Centrale des Organismes de Securite Sociale.

B. The Ideology of French Social Security

The Social Security Plan of 1945 gave a new structure and ideological foundation to the existing social insurance system existing in prewar France. It was designed to guarantee wage earners and their families against the risks which could diminish or erase their earning capacity and to enable them to meet their family responsibilities.

The principles on which this plan was based were solidarity, family policy, the extension of benefits to more and more categories of the population, mutuality, decentralization and flexibility. The scope of social security extends to a system of compulsory contributory schemes covering three branches: social insurance, sickness and accident insurance, and family allowances.

The principle of solidarity is established in the stated concern of the community for the individual. One can say that the entire population is entitled or potentially entitled to family allowances. All workers, both employed and self-employed, are affiliated to a superannuation plan and some 98 percent of the population is covered against sickness. The system of payments is worked out in relation to the presumed need of beneficiaries.

A substantial French consensus views the family, as a unit, as the ultimate beneficiary of government policy. In fact, family policy is really a children's policy; families with children alone are aided. Of total social welfare benefits paid out, 35 percent is in the form of family allowances.

Each insurance program under the scope of social security contains its own supplemental assistance program for those judged to be in need, as for instance, the aged. The government has tended at times to establish a temporary category, intermediate between insurance and assistance, rather than to broaden one or the other. If none of these programs serves a particular person's needs, he could always turn to social aid which is a court of last resort for those not covered under existing programs.

The system is somewhat complicated, having grown out of struggle and compromise. The 1958 Constitution of the Fifth Republic states the right to benefits plainly: "Whoever, because of his age, his physical or mental state, his economic situation, finds himself unable to work, has the right to obtain from the community the proper means of existence."

Consequently, the need to distinguish structurally between insurance and assistance fades in importance. A related principle has been stated as follows:

> "One certainly concedes the great administrative simplification that would result from the suppression of the various form of aide sociale and their replacement by a single assistance....The principles applied until now in our country save the assisted person a too great dependence upon the administration, whose discretion, in the situation of undifferentiated aide, would be greatly increased...."*

Alvin Schorr comments on the French systems:

> "One perceives a paradox, of which probably both propositions are true. On one hand, the French seek to establish benefits by right, by legal prescription to which the categories add weight. Right extends even to aide sociale where, one must suppose, in practice it is much circumscribed. On the other hand the most affirmative reason for having categories is that they lend themselves to providing discretion to administrators, that is, discretionary allowances are easily integrated into each category. Thus each of the categories holds an apparent ambiguity: Benefits by right and, in the crevices between rights, discretionary benefits. The program, the French say, is made flexible, is humanized."**

French social security was in its origins a series of private, mutual experiments. A preference for mutual activity is apparently deeply rooted. The social security system that has emerged in 1945 is governed in theory and in law by elected councils of administration at each level--local, regional and national. The structure was to be legally private, subject only to general government supervision by the Ministry of Labor. But the law provided ample powers to the Ministry to suspend and annul decisions of the administrative councils of the various social security agencies (caisses).

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*Bruntz, Francois, Manuel Pratique De L'Aide Sociale, Les Editions Juridiques Et Techniques, 1960, p. 24.

**Schorr, Alvin, Social Security and Social Services in France, U.S. Department of Health, Education and Welfare, Social Security Administration Division of Research and Statistics, Research Report No. 7, U.S. Government Printing Office, Washington, D. C., 1965, pp. 4-5.

Social security is decentralized as well as mutual in administration. Decision-making is theoretically vested in the councils of administration of 114 caisses for family allowances and 122 primary and 16 regional caisses for social insurance benefits. Fundamentally, a common end is sought in decentralization and in voluntarism: people feel closer to an organization run by their representatives. It can be made more sensitive to their needs.

C. SMIC - The Legal Minimum Wage (Salaire Minimum Interprofessional de Croissance)

The amount of SMIC varies automatically in accordance with a cost of living index. When the index varies by more than 2 percent, the SMIC is adjusted proportionately. The SMIC is also adjusted yearly by the government to take account of economic growth.

Increases in the SMIC only compel an increase in the wages of employees who earn the minimum wage, though there may well be *some* effect on the wages of those at higher earning levels.

The SMIC applies to all professions except domestic employees and farm workers. It applies, with a percentage deduction, to workers under 18 years of age and to handicapped workers.

The following table shows the evolution of the SMIC per hour since 1970:

	Jan. 1970	Jan. 1972	July 1972	Dec. 1973	March 1974
Francs per hour	3.27	3.94	4.30	5.43	5.60

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[*] See the last page of this chapter for the exchange rates for French francs per U.S. dollars.

The number of wage earners getting the SMIC is hard to estimate since there has been no survey made at the same time and according to the same criteria of the over 16 million French wage earners. In industry, commerce and the service industries, out of a total of 12.6 million in 1971, about 400,000 are estimated to be on SMIC, that is about 3 wage earners out of 100. The number was higher in the 1960s, but it keeps decreasing because salaries tend to grow faster than the SMIC. Estimates are made that in enterprises with less than 10 employees, between 5 and 8 percent are on SMIC. Looking at various French regions, SMIC employees are found primarily in smaller towns and less populated areas.

Other wage earners at or below SMIC levels are found among agricultural workers (estimated at 450,000) and among domestic houseworkers (estimated at 500,000). These categories often benefit from free housing, food, etc., so that a fair estimate of wage earners on SMIC in both categories would be 200,000. To these should be added some 50,000 wage earners who are public employees paid by the hour (cleaning women, janitors of schools, guards). Thus we arrive at a figure of 650,000 wage earners getting the equivalent of a minimum guaranteed salary in 1972.*

Any employer paying salaries is required by law to fill out tax statement forms No. 2460. The National Statistics Institute (INSEE) generally uses these 2460 forms to gather annual data on salaries in industry, commerce and the services. Agricultural workers, domestic household workers and public employees are not included. Thus, in 1968, out of 12.48 million employees in the private and semi-public sectors,

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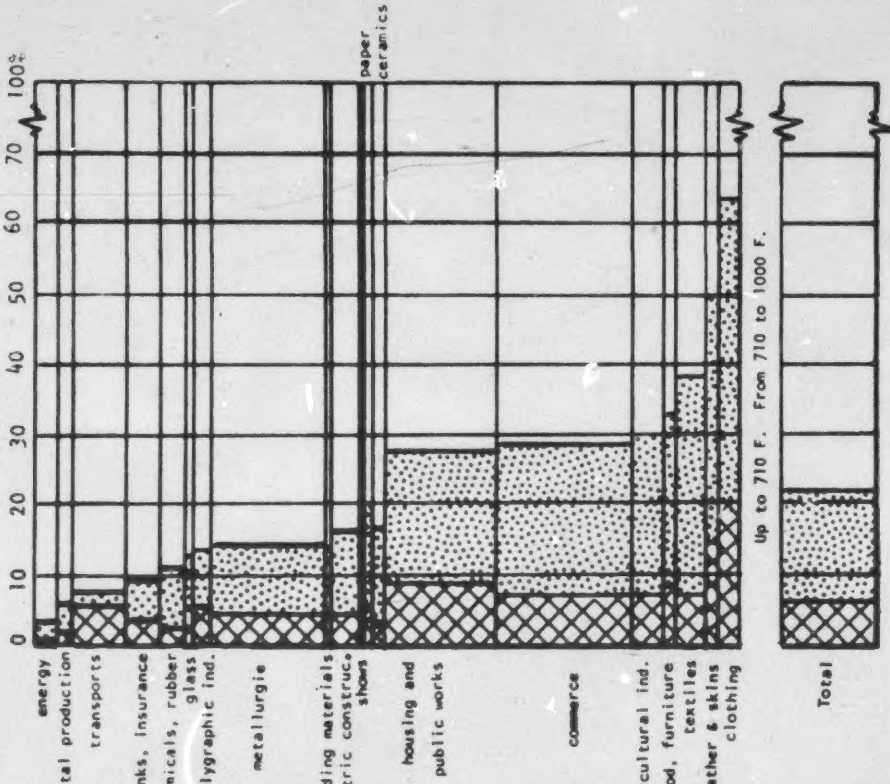
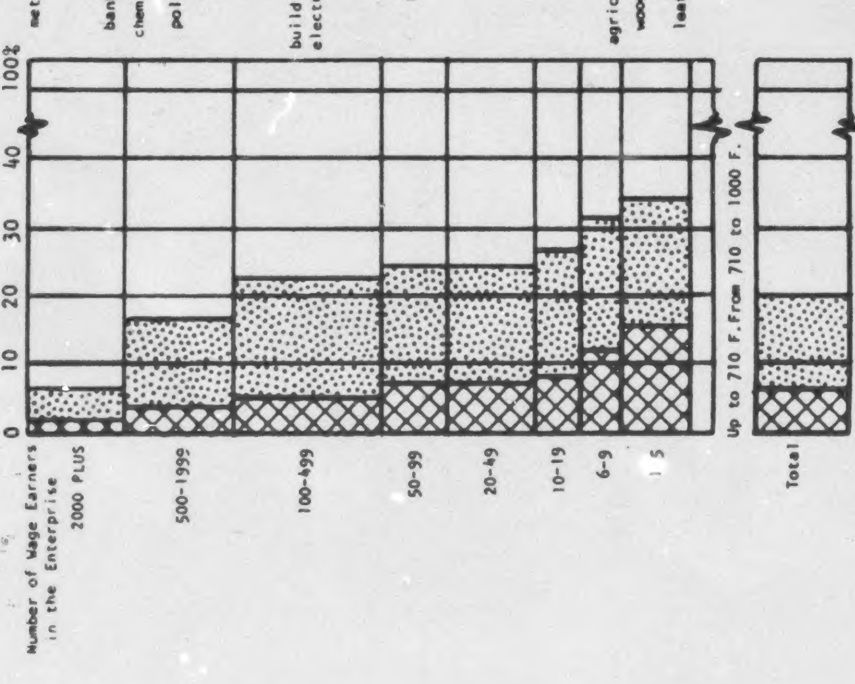
*Marguerite Perrot,"Les bas salaires: Les smicards, in Travail and Condition Ouvriere", Les Cahiers Francais, May-August 1972, pp. 41-3.

LOWEST SALARIES IN MAY 1972 ACCORDING TO ACTIVITY



Source: I.N.S.E.E., etats 2460, de 1969, updated to May 1972

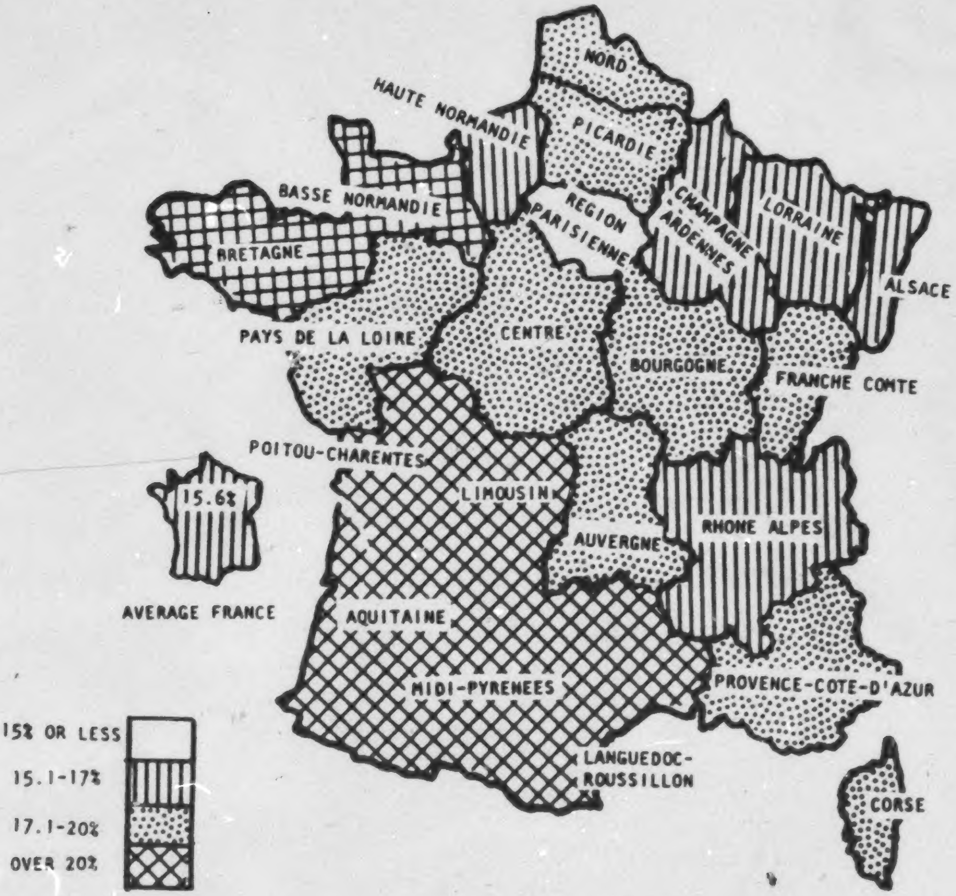
ACCORDING TO SIZE OF ENTERPRISE LOWEST SALARIES IN MAY 1972



Source: I.N.S.E.E , etats 2460

Source: I.N.S.E.E., etats 2460, de 1968 et 1969, updated to May 1972.

LOWEST SALARIES IN MAY 1972
ACCORDING TO REGION


NORD
HAUTE NORMANDIE
PICARDIE
BASSE NORMANDIE
REGION PARISIENNE
CHAMPAGNE ARDENNES
LORRAINE
BRETAGNE
ALSACE
PAYS DE LA LOIRE
CENTRE
BOURGOGNE
FRANCHE COMTE
POITOU-CHARENTES
LIMOUSIN
15.6%
AVERAGE FRANCE
AUVERGNE
RHONE ALPES
AQUITAINE
MIDI-PYRENEES
PROVENCE-COTE-D'AZUR
LANGUEDOC-ROUSSILLON
CORSE
15% OR LESS
15.1-17%
17.1-20%
OVER 20%

SOURCE: MINISTERE DU TRAVIL, DE L'EMPLOI ET DE LA POPULATION

55 percent worked in industry
18 percent in commerce
15 percent in service industries
9.5 percent in transports and telecommunications
2.5 percent in energy

Out of the over 12 million employees, some 740,000 were paid less than the *SMIC* legally. They include workers under 18, or handicapped workers, or apprentices or those working under 40 hours a week. It could be argued that anyone working under the *SMIC* was working on a poverty level.

EMPLOYEES EARNING UNDER 1000 FRANCS GROSS SALARY IN MAY 1972 DIVIDED ACCORDING TO AGE GROUP

	Under 710 Francs		From 710 to 1000 Francs	
Age	% of age group	% of column	% of age group	% of column
under 18	76.1	33.4	22.2	4.2
18-20	16.7	24.4	39.0	24.7
21-25	4.9	11.3	20.1	20.2
26-30	2.6	4.6	10.6	8.1
31-40	2.3	7.9	9.4	14.0
41-50	2.7	7.9	10.5	13.4
51-60	3.7	6.4	14.0	10.6
61-65	5.0	2.7	16.6	3.9
over 65	11.2	1.4	15.7	0.9
Total	6.8	100.0	15.6	100.0
Number of employees (in thousands)	740		1550	

SOURCE: INSEE and *Les Cahiers Francais*, May-August 1972, p. 45.

SALARIES

Base statistic is the index of the hourly wage of the (over 18) worker (100 = Jan. 1956)

All activities	average index 1969	1970	1971	1972
	285.5	314.5	348.5	387.4

In 3 years this index increased by 35.5 percent.

DEVELOPMENT OF HOURLY WAGE INDEX, SMIC AND PRICE INDEX

	April 1968	July 1970	July 1972	Growth July 1972 %
Hourly Wage Index (100 = Jan. 1956)	240.5	314.5	387.4	61.08
SMIC (in Francs per hour)	2.22	3.42	4.30	93.69
Price Index 100 = Jan. 1962)	121	137.9	152.3	25.87
SMIC has tended to grow faster than the price				

SOURCE: Assemblee Nationale Seance du 12 Oct. 1972, Rapport sur le projet de loi des finance pour 1973, Annexe No. 6, Travail, Emploi Et Population.

D. Unemployment and Employment Policy

The increasing exposure of the French economy to foreign competition has been accompanied by a greater sensitivity to fluctuations in general economic activity at a time when owing to rapid industrialization, the diminishing proportion of agricultural and non-wage-earning jobs has been increasing the vulnerability of the labor market.

Unemployment reached a postwar peak of 2.9 percent in 1972 as restrictive economic policies to curb inflation had an adverse impact on the labor market. But as restrictive policies were eased in 1973, a recovery in output growth led to moderate improvement in the labor market.

Analysis of recent trends in the French labor market is rendered difficult by several factors which have influenced the movement of registered unemployment and unfilled vacancies. A National Employment Agency (Agence Nationale pour l'Emploi) was set up in July 1967 to provide employment placement services. By the end of 1970, this agency was serving 80 percent of the working population. Geographic coverage of the network of employment offices was extended in 1972, so that job vacancies and applications for work were more likely to be recorded. As of September 1972, persons over 60 and receiving an officially guaranteed minimum income are no longer included in the registered unemployed. The nationwide unemployment insurance scheme which was extended by law to all employees in 1967, is managed by private institutions called Associations pour l'Emploi dans l'Industrie et le Commerce (ASSEDIC). All enterprises must register with their local ASSEDIC within two months following their creation.

Benefits are paid to jobless persons who (a) have not left their work without a valid reason; (b) have worked a minimum number of days (91) or hours (520) during the year preceding their unemployment; and (c) are registered as job applicants with the National Employment Agency.

The daily indemnity is equal to 40 percent of the previous salary of the recipient for the first three months and to 35 percent thereafter. Benefits are paid for 365 days to persons under 50 and to 609 days to persons 50 or over.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT--1968-72

	1968	1969	1970	1971	1972
Labor force (in thousands)	20,300	20,580	20,900	21,130	21,400
Unemployed (in thousands)	550	430	460	580	630
Unemployment rate (in percent)	2.7	2.1	2.2	2.7	2.9

Note: Estimates based on incomplete data

SOURCE: Constance Sorrentino and Joyanna Moy, Unemployment in the U.S. and Eight Foreign Countries, Monthly Labor Review, January 1974, p. 48.

Company Committees

The comites d'entreprise must be formed in all enterprises with at least 50 employees. The number of members elected by the employees varies from 3 in enterprises with 50 to 75 employees to 11 in enterprises with 10,000 employees. On the professional level, the role of the committee is to act as a vehicle for consultation and cooperation between management and employee delegates. On the social level, the company committee participates in such matters as medical and welfare services. It can manage one or more welfare funds, the purposes of which are to help needy employees and their families and to provide sporting or other recreational facilities. The employer has usually no legal obligation to contribute to these funds, but it is customary for employers to make some contribution to these funds which generally amounts to 1 percent of the payroll.

E. Old Age Insurance

The bases of the old age insurance system were laid in 1945 at the time the principle of generalized social insurance for the entire French population was adopted. However, owing to the reluctance of certain social and professional categories, an attempt at generalization in 1946 did not work out and old age insurance developed partly outside the general system.

It has been argued that the French old age insurance system is among the most complex, dissimilar and even unjust of European systems.* There exist over a dozen retirement plans and if one were to take into account the multiple complementary pension schemes, scores of retirement formulae would appear. All schemes, however, are contributory. But the institutions, qualifying age and amount of benefits vary from one plan to the next.

The general program covers over 60 percent of the working population and provides retired wage and salary earners who have contributed for at least 30 years with a pension amounting to 40 percent of the average wage earned during their ten best income years. According to a 1971 reform of the law covering the general program, in 1973 earners who have contributed 34 years to social security, at age 65 are entitled to 45.3 percent of their best 10-year average wage. As of 1975, the amount will grow to 50 percent.** The rate is reduced to 22.6 percent if the pension is applied for at age 60.

Earners who have contributed for less than 30 years but for at least 15 years receive an annual sum equal to 1/30th of the pension per year of contribution. Various increments can be added for dependent spouses, the education of dependent children, etc. If wage earners have contributed at least 5 years but less than 15, they receive a pension equal to 10 percent of half the total contribution paid in their name. When they have contributed for less than 5 years, their contributions are refunded.

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*Le Monde, 17 December 1973, p. 11.

**Ibid.

Pensions are revalued from time to time to take account of inflation. If wage earners have been unable to contribute sufficiently to any plan and have an income falling below a certain ceiling, generally they can benefit from the minimal allocation of social aid, which was 13 francs per day in 1973.

Self-employed workers have been covered by plans worked out specifically for them, since 1948 for executives, artisans and the professions, and since 1952 for self-employed farmers. Under these plans the amount of the pensions is dependent upon the amount of the contributions.

In France, as in most countries with a comprehensive social security program, there is a minimum below which old-age pensions cannot fall. Unless supplemented by other means or public assistance, minimum pensions determine the standard of living for the larger part of the retired old people. These people form a growing proportion of the total population. Some 13 percent of the French population is over 65 (i.e., about 6.7 million) and by 1975 this figure is expected to reach 13.6 percent. The life expectancy of elderly people over 65 has increased notably.

Since 1962, a conscious effort was made to achieve equality of minimum pensions without distinction as to professional origin of the retired. The rate of increase of the minimum pension has kept pace with the growth in cost of living: 8 percent in 1969, 11.1 percent in 1970, and over 23 percent in 1972. The guaranteed minimum pension in 1972 was 4500 Francs a year.

The maximum pension varies according to the ceiling salary, which is adjusted upward each year by inflation. In 1973 it was increased by 11.5 percent over the previous year and came to 24,480 Francs a year.*

In France, minimum pensions represented 19.9 percent of all pensions in force in the later 1960s (17.5 percent of beneficiaries received just the minimum while a further 2.4 percent received also one or more income-tested additional payments).

Paul Fisher has noted that pensions, social assistance and welfare payments to the aged poor provide an indication of the floor below which minimum pensions cannot fall without creating a right to welfare supplements in qualifying cases.** In some countries, the income limits which determine the eligibility for needs-tested supplementary pensions have been considered as legal poverty lines. Looking at pensions, welfare assistance and consumption expenditures in the United States, United Kingdom and France, the relationship in 1970 of these yardsticks among themselves and with minimum pensions seems to fall into a definite pattern in the following sample:

	Minimum Old Age Pensions	Public Assistance Payments	Poverty Lines	Consumption Expenditures
France	100	97.5	166.0	525.0
U.K.	100	100.5	140.8	196.3
U.S.A.	100	155.0	249.0	448.0

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*Actualites Service No. 201, February 1973, Les Pensions de Retraite

**Paul Fisher, Minimum Old Age Pensions, International Labour Review, July 1970, p. 61.

In France and the U.K. minimum pensions are equal to or fall only just below public assistance payments. But both minimum pensions and public assistance levels fail to reach poverty thresholds. And only part of the average consumption expenditures of the aged household are covered by the minimum pensions.

Financing. Old age insurance is financed from contributions based on the current ceiling salary (2350 Francs per month in 1974). As of January 1974, the employer contributes 7.25 percent of the ceiling salary and the employee contributes 3 percent.

Survivors' Rights. Old age insurance is reversible to the surviving spouse even if the insured dies before retirement limit age of 60. Full pension rights are available to the surviving spouse at age 55, together with full rights to sickness insurance.

F. Complementary Pensions

In view of the small amount of old age insurance provided by social security, practically all wage earners and their employers make use of complementary pension plans.

According to a convention signed March 15, 1947, a mandatory pension plan applies to all executives, doctors, engineers and technician cadres. It is managed by various private institutions which are federated into the AGIRC (Association Generale des Institutions de Retraite des Cadres). The institutions are managed by boards composed of representatives of employers and of the executives in equal number. Contributions to the plan are based on the portion of the executives' salaries in excess of the social security ceiling up to another ceiling determined from time to time by AGIRC. The contributions themselves are equal to 8 percent, of which 6 percent is paid by employer and 2 percent by employee. An additional contribution of 1.5 percent toward death and disability benefits is due by the employer, based on the salary portion up to the social security ceiling. Full pension benefits are granted upon retirement at 65 and a fraction thereof in case of retirement between 55 and 64. Surviving spouses are entitled, subject to certain conditions, to 60 percent of the pension.

An optional additional plan includes increased pension rights, the reimbursement of medical expenses not covered by social security, and education benefits for children. Subscription to an optional plan may be mandatory on the employer, either pursuant to a collective bargaining agreement or because the employer is a member of a management association which has subscribed to such an optional plan on behalf of its members.

The amount of the additional contributions and their allocation are variable. The maximum additional contribution as regards increased pension rights is 8 percent. Such additional contribution is split equally between employer and employee.

According to an agreement signed December 8, 1961, practically all non-cadre workers are also covered by a complementary pension plan. Such plans are, like the above-described executive plans, also managed by various private institutions which are federated into the ARRCO (Association des Regimes de Retraite Complementaire). This organization fulfills functions similar to those of AGIRC as regards executive plans.

Contributions are variable and may be based on the salary portion up to the ceiling for social security contributions, or up to the ceiling for mandatory executive pension plan contributions, or even on total salary.

Generally speaking, contributions are based on the social security ceiling as regards executives and on total salary as regards non-executives. The contribution percentage runs around 5 percent, with 3 percent due by the employer and 2 percent due by the employee.

The complementary pension schemes have slowly extended to over 10 million wage earners. A retired non-cadre worker receives now, taking into account regular and complementary pension plans, 70 percent of his active life salary.

A law of December 29, 1972 extended the benefits of complementary pension plans to those agricultural and commerce wage earners who up to then had not been covered.

Besides the complementary pension plans there are special pension schemes administered to such organizations as: State, departmental and communal administrations, the Merchant Marine, mining enterprises, the railroad system, gas and electric industries, water supply company, the Chamber of Commerce of Paris, the Banque de France, the Opera and the Opera Comique.

Contributions are made by the insured and by the services which employ them. The state contributes in varying ways to the railway, miners, Merchant Marine and cultural workers. Retirement is generally possible after 15 years of effective service; at age 60 for sedentary workers and at age 55 for active workers.

A minimum old age pension is guaranteed at age 65 to all non-salaried workers under certain conditions of seniority and resources. The minimum pension can be supplemented by a complementary pension provided by the National Solidarity Fund (Fond National de Solidarite). Since January

1973, a reorganization of this Fund extended the number of non-salaried beneficiaries who are divided into four groups according to whether they belong to agricultural, artisanal, liberal and industrial professions.

A law of July 3, 1972 allows equal treatment of non-salaried workers in the artisanal, industrial and commercial professions with workers in other social categories. The type of pension will be that of the general type of salaried workers.

The Elderly Poor

A number of means-tested allocations have been created to assist wage earners who have not contributed enough to qualify for old age insurance or who have been unemployed for a variety of reasons. The two largest are the old wage earners' allocation (1750 Francs in 1971) and the National Solidarity Fund allocation (1500 Francs in 1971).

In 1972 there were some 230,000 old wage earners who were not eligible for regular old age insurance. The allocations they received from the above two plans grew from 986 Francs in 1958 to 3200 in 1971 and 4500 Francs in 1972. They are also entitled to sickness insurance benefits without any contribution. While these allocations may not be sufficient, they represent a very substantial progress over previous years. Old non-salaried workers and seasonal agricultural workers are entitled also to these minimum allocations.

To qualify for the allocations of some 4500 Francs in 1972, the prospective pensioner was not supposed to have over a certain resources ceiling. This ceiling was upgraded on October 1, 1972 to 6000 Francs for a single person or 9000 Francs for a couple.*

G. Social Aid for the Poor

Even people effectively covered by social security often require public assistance. In the case of sickness insurance, the insured remains liable for the balance not covered by benefits which, in the case of hospitalization, may often be very high. Old age pensions are generally inadequate. And many old people, who have been unable to contribute during their working life, are compelled to solicit the aid of the authorities because they do not benefit sufficiently, if at all, from the advantages of social security. This is where French public assistance, in the form of social aid, comes into play.

Provisions relating to social aid were codified by a decree of January 24, 1956 and since that date have formed part of the Family and Social Aid Code. Part III of that Code, coordinating earlier assistance schemes, provides for social aid for families with insufficient means, or whose heads of household are on military duty, for the aged (in the form of home care or placing with a family or in a hospital), for the infirm, blind and crippled, medical aid and various forms of aid in the way of lodging and shelter.

The Social Assistance Office (Bureau d'Aide Sociale) was set up as the basic organization, at communal level, of compulsory assistance schemes. These offices originated in the merger of older welfare offices (Bureaux de Bienfaisance) and the newer assistance offices. Their main function is to grant relief in cash or in kind to private persons who are indigent. They are responsible for investigating claims for any form of social assistance and are thus the first to become aware of the situation of needy people. This confers upon these offices an essential role of coordination, given concrete form by their duty to keep records of all the people assisted. Such records enable abuses to be detected and remedied.

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*Actualites Service No. 201, February 1973: Les Allocation de Vieillesse, Note No. II.

Social Assistance Offices have a general responsibility for social welfare within their areas, but the way in which this responsibility is discharged varies according to the amount of resources available.

In the smaller communities, the main social welfare activity of the offices is to grant relief in cash or kind (food, clothes, furniture) to persons in need. For this purpose, some communities appeal through the press to the goodwill of the people.

In larger towns the Social Assistance Offices are much more active and sometimes organize real mutual aid services such as dispensaries, maternity homes, day care centers, holiday camps, orphanages, nursing help to the elderly and invalid, restaurants for the needy.

Social aid is a right. Officially it cannot be granted when there is a right to benefits under other legislation (Social Security, Veterans Benefits, etc.), a contractual obligation (annuity, mutual insurance), or aid in fact provided by persons or organizations not contractually bound to assist the applicant. But social aid can be called upon to supplement other resources, if they are insufficient. How are the insufficient means determined? An Entitlement Commission fixes the amount of said assistance. All property and income of a potential applicant must be taken into consideration in assessing his entitlement to assistance. Exceptions are made for war pensions and pensions attached to distinctions of honor. Property should not exceed a certain amount which, according to circumstances, is either assessed by an Entitlement Commission or fixed by decree.

The appraisal of the potential applicant's means include not only his personal property, but also any aid which he in fact receives and the maintenance to which he is entitled, even if it is not paid.

Entitlement to social aid is being reviewed periodically in the light of any change in the situation of the assisted person or his family. Reviews are made also in cases when the entitlement decisions turned out to have been made on incomplete or erroneous information or statements.

The Entitlement Commission is composed of five members, including two officials of the Finance Department, a judge and the mayor or town counsellor of the communal area. A representative of the social security agencies or of the agricultural social welfare organizations attend in an advisory capacity. Membership has been designed to ensure the balance between representatives of the authorities who must watch administration of public money and those of the users for whom social welfare concerns are predominant.

Social Aid provides funds for day care centers. In 1972 some 100 million Francs were allocated out of Social Aid Fund of the Caisse d'Allocations Familiales for the financing of 50 percent of day care centers. There were some 36,000 such centers in 1972. Social Aid also provides 230,000 handicapped over 20 years of age with an income and undertakes expenses of reeducation and of running factories where the handicapped can find work. There are some 1.5 million adults handicapped out of whom 600,000 are over 65.

SOCIAL AID EXPENDITURES
(in million Francs)

	Social National Budget	Social Aid (State & Local)	% of Social Aid Expenditures
1965	90,586	3,760	4.15
1968	120,421	4,875	4.05
1969	133,957	5,724	4.27
1970	150,210	5,974	3.98
1971	168,416	6,760	4.01
1972	188,189	7,795	4.14

SOURCE: Senat, Avis No. 70, Seance Du 21 November 1972, Affaires Sociales et Sante Publique, p. 40.

Social Aid Payments

In most Western countries inadequate pensions are augmented by welfare payments, provided certain qualifying conditions are met (means, income, or needs-tested public help schemes). Such welfare payments are, as a rule, financed by general revenues. In France, financing the pension supplement was for a long time the responsibility of the subsidized pension system. Since 1967, the pension system has been reimbursed by the state for this expense. As in Sweden and the U.K., virtual equality has been reached in France between minimum old age pensions and public assistance standards, even when disregarding rent subsidies and tax concessions.

The ratio of minimum pensions to social assistance rates for single persons moved steadily from 62.2 percent in 1956 to the 100 percent level in 1966. The average ratio for the years 1956 to 1965 was 72.2 percent. In the United States the ratio is lower because the social security benefit s not considered primarily an anti-poverty device, hence minimum old age benefits leave considerable room for the operation of public assistance to the elderly.

H. Family Allowances

In France, assistance based on size of family began on a small scale after 1870, with the advent of the Third Republic, when employers decided to assist workers with children in meeting their family responsibilities. Following World War I, France suffered severe manpower losses and rapid increases in the cost of living. This situation helped to boost family allowance programs. Concerned about lagging birthrates in the 1920s and 1930s, the government thought that a system of children's allowances, which were made compulsory in 1932, could serve as a convenient vehicle to reverse this decline. These allowances were used as a demographic tool through the Family Code in 1939, and later in the post-World War II period.

It has also been argued that the family allowances system for wage earners in industry was based on a need to achieve equality among wage earners.*

The family allowances program has three main components:

basic children's allowances
single-wage allowances (salaire unique for wage earners)
mother-at-home allowances (mere au foyer for the self-employed)

The nonbasic allowances are both designed to encourage mothers to stay home and aid in their children's upbringing. Originally related to

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*Nicole Questiaux, "Family Allowances in France," Children's Allowances and The Economic Welfare of Children, Citizens Committee for Children of New York, Inc., 1968,

Table 1

STRUCTURE OF CHILDREN'S ALLOWANCES PROGRAMS IN FIVE COUNTRIES, 1969

Country	Means Test	Benefits Start With	Age Limit[1]		Residence Requirements	Minimum Working Age	Required School Age (In Last Year)
			Basic	Maximum			
Canada	None	1st child	15	17	1 year	15-16[2]	14-15[2]
France	None[3]	2nd child[4]	15	19	All residents	16	15
Sweden	None	1st child	15	18	All residents	16	15
United Kingdom	None	2nd child	14	18	6 months[5]	16	15
West Germany	None[6]	3rd child[7]	17	24	3 years	18[8]	17

[1] Last year of eligibility.

[2] According to Province

[3] As of Jan. 1, 1971, the single-wage and mother-at-home allowances have been discontinued for some families; for others the rates were doubled.

[4] The single-wage and mother-at-home programs provide allowances for the first child.

[5] 26 weeks' residence in preceding 12 months (3 years' residence for aliens).

[6] Means test applies to two-children families only.

[7] Benefits payable for the second child when the family earns less than 7,800 DM a year.

[8] For full-time work.

Source: UNESCO Yearbook and national legislation.

regional monthly average wages, the basic allowances were later made a percentage of the hourly minimum wage of manual workers in the metals industry. This amount has been adjusted periodically by decree. All three types of benefits are fixed for five cost-of-living zones in France.

Under the French basic program, benefits start with the second child at the rate of 22 percent of the base wage. The rate is 37 percent for the third and fourth children and drops to 33 percent for the fifth and subsequent children.* These rates, in turn, are increased by 9 percent of the base wage when the child reaches age 10 and by 16 percent at age 16, except for the two youngest children in the family.

In 1969, France discontinued the practice, begun in 1951, of granting young childless couples an allowance under the single salary program. Instead, the allowance to children under age 2 was raised to 50 percent of the base wage (97.25 Francs in 1969) under both the single-wage and mother-at-home programs, and having a young child was thus more attractive. A family is limited to total allowances of 50 percent of the base amount under either of the two programs, regardless of the number of children in the family. For children aged 2 or older, the rates are:

> Under the single wage program, 20 percent of the base for one child
> 40 percent of the base for two children
> 50 percent of the base for three or more
>
> Under the mother-at-home program, 10 percent for two dependent children with an increase of 10 percentage points for each additional child up to 50 percent for six or more children.

Since January 1, 1971, family allowances have been abolished for families with a monthly income above 5550 Francs and the rates have been doubled for families with a monthly income below 1300 Francs. The allowance rates remain unchanged between these two income limits. Thus with an average monthly earning around 1000 Francs (SMIC was 1000 Francs in 1973), the single wage and mother-at-home allowances have doubled for most families.

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*For changes in benefit levels and laws, see Jean-Jacques Dupeyroux, Securite Sociale (3^e Edition), Dalloz 1969, pp. 455, 481.

Relationship to Earnings

Comparing allowances with average monthly earnings in manufacturing provides a measure of the benefit paid to the individual family.

Table 2

CHILDREN'S ALLOWANCES AS PERCENT OF AVERAGE MONTHLY EARNINGS IN MANUFACTURING, BY SIZE OF FAMILY, FIVE COUNTRIES, 1969*

Country	Number of Children				
	One	Two	Three	Four	Five
Canada	1.3	2.5	3.8	5.0	6.3
France		9.8	22.8	36.8	50.8
Sweden	5.7	11.4	17.0	22.7	28.4
United Kingdom		4.5	9.5	14.6	19.6
West Germany		2.8	5.5	12.0	19.7

In the above table, the allowances for Canada and France are shown at the minimum levels and increases based on age are omitted. The ratios of allowances to average earnings range from 1.3 percent for one Canadian child to 50.8 percent for five children in France (about 61.5 percent when the most advantageous age combination is used).

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[*] Leif Haanes-Olsen, "Children's Allowances: Their Size and Structure in Five Countries," Social Security Bulletin, May 1972, pp. 17-28. Please see the chapter on Sweden for this table with extensive footnotes giving details of the percentages and allowances.

Generally, France has the "highest" allowances under any family combination (except that, for a family with one child aged 2 or older, the Swedish allowance is slightly higher). Sweden ranks next to France in all other family combinations indicated in the preceding table.

When the age factor is considered with the number of children, the French program stands out. In a French family with three children aged 8, 10 and 12, children's allowances would amount to 40.8 percent of average earnings in manufacturing--that is, the basic rate of 22.8 percent plus 10.8 percent for 3 children plus an additional 3.6 percent for each of the two children in the 10 to 14 age group.

Expenditures for children's allowances amounted to about 25 percent of total social security expenditures in the late 1960s, and to about 3.7 percent of the GNP. France is ahead of other West European countries with about one-fourth of all social security outlays going to children's allowances. But in general these allowances have been increasing at a slower rate than other social security expenditures.*

As Table 4 shows, the consumer price index outpaced the index of allowance rates ever since 1946 in France. Relating children's allowances to earnings would reveal an even more unfavorable picture, since in most West European countries wages have increased more rapidly than prices.

Financing

Children's allowance programs covering the employed and the self-employed are separate. Benefits for wage earners derive from employer contributions exclusively. Contributions by the self-employed are applied only toward the benefits to which this group is entitled.

Table 3

EXPENDITURES FOR CHILDREN'S ALLOWANCES AS A PERCENT OF TOTAL SOCIAL SECURITY EXPENDITURES AND OF GROSS NATIONAL PRODUCT FIVE COUNTRIES, 1966-68

	Expenditures for Children's Allowances					
	As percent of total social security expenditures[1]			As percent of gross national product		
	1966	1967	1968	1966	1967	1968
Canada[2]	12.7	11.2	9.3	1.0	1.0	0.9
France	25.3	24.5	24.5	3.7	3.6	3.6
Sweden[3]	9.2	8.2	6.8	1.3	1.3	1.2
United Kingdom	3.7	3.6	5.9	.4	.4	.7
West Germany	4.3	3.5	3.2	.7	.6	.6

[1] Social security expenditures include administrative expenditures but generally exclude those for government employee programs, industrial occupational pension plans, and benefits under private medical care insurance plans. The data used here, except as otherwise noted, are defined as in The Cost of Social Security (International Labor Organization), 1967.

[2] Children's allowances include family allowances and youth allowances but exclude the schooling allowances of the Province of Quebec. Social security expenditures exclude housing, education, and agricultural price support programs.

[3] Children's allowances for 1967 estimated.

Source of data on France: Ministere de l'Economie et des Finances, Statistiques et Etudes Financieres, pp. 406-417.

Table 4

CHANGES IN CHILDREN'S ALLOWANCES RATES AND THE CONSUMER PRICE INDEX, FIVE COUNTRIES, BY YEAR OF CHANGE

	Year of Change	Index of Allowance Rates	Consumer price index*
CANADA:			
All children	1945	100	100
Children under age 6	1957	120	163
Children aged 6-9[2]	1957	100	163
Children aged 10-12	1957	114	163
Children aged 13-17[2]	1957	100	163
	1960	(2)	223
FRANCE: All covered children	1946	100	100
	1948	214	239
	1951	308	361
	1957	321	404
	1958	339	484
	1961	418	550
	1962	434	576
	1963	494	604
	1967	560	675
	1968	645	706
	1969	674	751
	1970	674	781
SWEDEN: All covered children	1949	100	100
	1952	212	126
	1964	269	181
	1966	346	202
	1971	462	251
UNITED KINGDOM: Second child	1946	100	100
	1952	160	136
	1956	160	206
	1967	300	284
	1970	360	334
Third and additional child	1946	100	100
	1952	100	136
	1956	200	206
	1967	340	284
	1970	400	334
WEST GERMANY:			
All covered children	1954	100	100
Second child	1964	100	124
Third child	1964	125	124
Fourth child	1964	150	124
Fifth and additional children	1964	175	124
	1970	(2)	145

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[1] Indexes have been recomputed to conform to base years.

[2] No change for any children

In 1968 employer contributions amounted to 13.5 percent of payroll. The self-employed contribute about 4 percent of income, according to an occupational scale. Maximum earnings for contribution purposes were 1200 Francs a month.

France has, in addition, separate occupational programs that cover the agricultural sector, public utilities and civil servants. Under the law, the state and public authorities are considered as employers and bear the cost of family benefits for their employees. The agricultural sector, usually associated with low incomes and large families, has historically been unable to provide sufficient funds to support its family allowances program and has relied on government subsidies.

France has a somewhat indirect method of tax deductions for children. The taxable income may be divided between all members of the family, with two children counted as an adult. The tax is then computed for each individual share and added in computing the total tax liability of the family. Since tax rates are progressive, taxes become smaller as the individual share diminishes, and the result is smaller tax payments for the family.

I. Medical Insurance

The cost of medical care is reimbursed in part through the social security system. A portion of the medical costs, known as the ticket moderateur, varying between 10 to 30 percent, is usually not reimbursed in order to discourage immoderate medical spending.

Medical expenses are not reimbursed on the basis of actual cost, but of standard rates which are set up between the government and the medical profession. Subject to these restrictions, social security reimburses all medical expenses, including medical and dental fees, hospital and maternity care, pharmaceuticals and orthopedic, dental, optical and other apparatus.

Social security also pays a daily indemnity to persons whose illness prevents them from working, which is equal to one-half of the sick employee's daily salary.

Disabled persons are entitled to a pension equal to a percentage of their former average salary on which full contributions were paid.

Doctors

Close to 80 percent of male doctors and 60 percent of women doctors practice independently. The independence of the majority of the medical profession means that though 70 percent of health service expenditure is financed by the public sector, such expenditure is partly beyond the control of this sector. Major conflicts arise every time action is taken to limit expenditure by limiting the doctor's right to prescribe.

From the medical viewpoint, the doctor's freedom to choose where to practice places economically poor areas at a disadvantage. In 1968, 12 percent of doctors were practicing in rural areas (34.6 percent of the French population) and 28 percent in the Paris region (17 percent of the French population). These disparities are even greater in many branches of specialized medical practice. In 1970, there were 128 doctors per 100,000 inhabitants. There were also 250 to 350,000 nurses of whom 100,000 are highly qualified. On the average, nurses remain in public hospitals for 5.5 years.

EXPENDITURE ON MEDICAL CARE RELATED TO POPULATION AND GNP

	1960	1965	1971	Average annual growth (%) 1960-71	1975*	1985-90*	Average annual growth (%) 1975-90*
Population (Millions)	45.4	47.8	51.0	1.1	52.8	57.3	0.9
Medical Attention (fixed-parity francs)	100	160	250	9.7	340	800-1,000	8.0
GNP (fixed-parity francs)	100	129	172	5.0	205	300	4.6
Proportion (%) of GNP spent on medical care	4.1	5.1	5.9		6.8	11-13	

*Forecast.

SOURCE: Cornillot Pierre and Bonamour Pierre, France, in I. Douglas Wilson and Gordon McLachlan, Health Service Prospects, The Lancet, London, 1973, p. 75.

Financing

In 1971, France's GNP was 904.06 billion Francs. The total expenditure on private consumption was 512 billion Francs, out of which medical expenditures accounted for 53.8 billion Francs.

Therefore medical care absorbed 5.94 percent of GNP and 10.5 percent of the total expenditures by private individuals. About 7 percent of the GNP is estimated will be spent on medical care by 1975. Medical expenditure figures cover the total spent on medical care, whether or not it is the result of reimbursement under social security, sickness insurance offices or other social organizations.

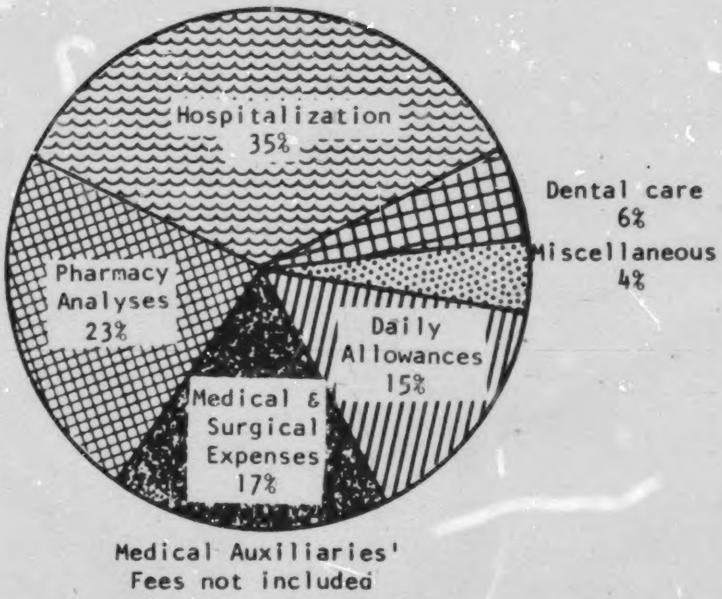
Health insurance is financed by payments from employers and employees in proportion to their salaries.

In 1970, for salaries up to 1,650 Francs (approximately $300) per month, the employer payed 10.45 percent and the employee 2.5 percent of the salary. For monthly salaries higher than 1,650 Francs, the employer paid an additional 2 percent and the employee 1 percent calculated on the entire salary. For example, for a salary of 3,000 Francs (approximately $550) per month the monthly contribution was 303 Francs distributed in the following way:

Employer:	10.45	percent of 1,650 F.:	172 F.
	2	percent of 3,000 F.:	60 F.
Employee:	2.5	percent of 1,650 F.:	41 F.
	1	percent of 3,000 F.:	30 F.

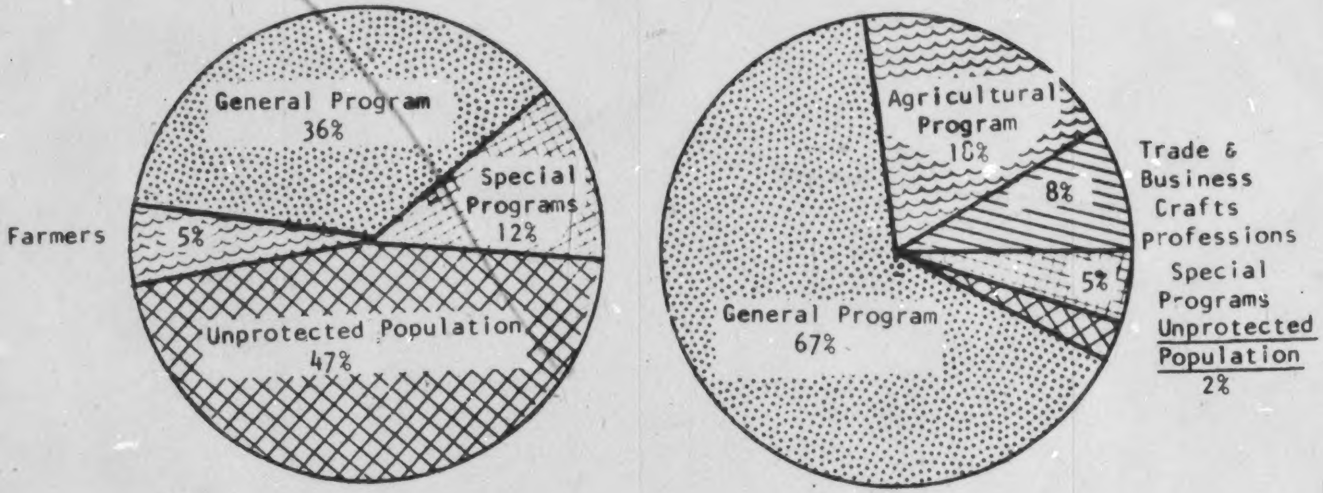
The rates of contributions to cover industrial accidents vary according to the company.

The growth of resources depends not only on the rate of contributions, but also on the level of the ceiling of contributions, which is tied up with the evolution of the general wages index.



Distribution of Health Insurance Benefits
(General Program) 1970

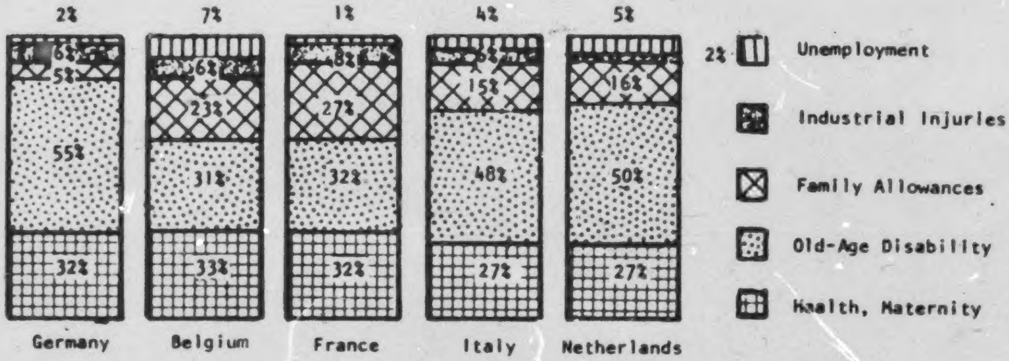
COVERAGE OF THE FRENCH POPULATION AGAINST SOCIAL RISKS
(Old-age and Health)



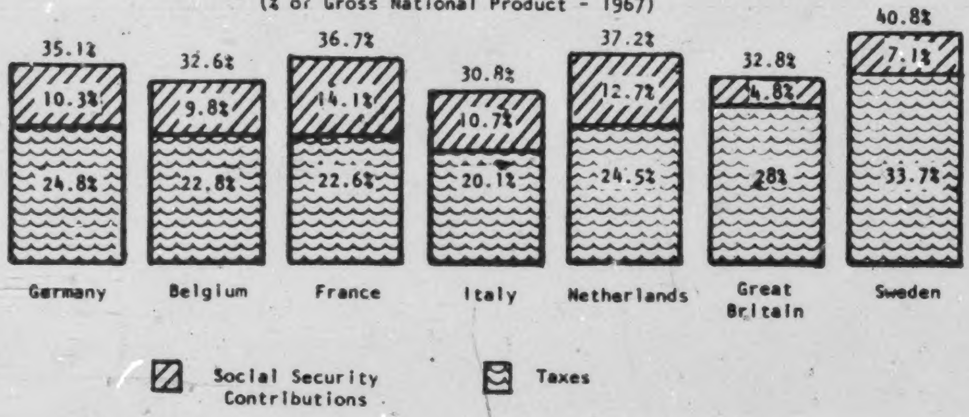
1945

1970

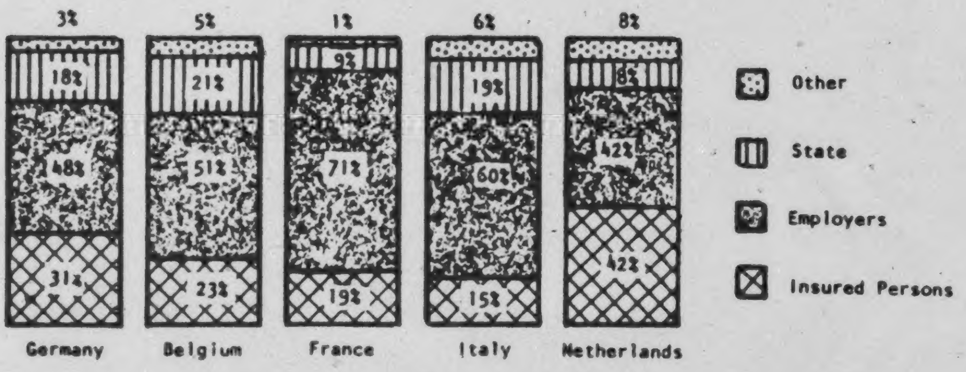
DISTRIBUTION OF SOCIAL SECURITY EXPENDITURES AMONG THE VARIOUS RISKS



TOTAL APPROPRIATIONS: Taxes & Social Security Contributions
(% of Gross National Product - 1967)



FINANCING OF SOCIAL SECURITY EXPENDITURES (1967)



Source: European Community Bureau of Statistics

In the health plans for nonagricultural self-employed workers, the size of contributions is determined, subject to certain arrangements, on the basis of the earned income declared to the income tax administration. As a rule, the insured are divided into categories of contributors within given income brackets.

J. Appendix

Poverty Standards

Whatever the various poverty standards may be called--poverty lines, subsistence minima, social existence minima or minimum budgets--they represent the view of a society at a specific point in time and stage of economic development on the size and makeup of people's needs and on the funds needed to satisfy them.

Paul Fisher has assembled some "poverty standard" estimates on the following Table No. 5:

Table 5

MINIMUM OLD-AGE PENSIONS AND POVERTY STANDARDS

Country (1)	Year (2)	Currency and period (3)	Coverage (4)	Minimum old-age pension (5)	Poverty standard used (6)	Level of poverty standard (7)	Col. 5 as % of col. 7
France	(1962	French francs per annum .	Single	780.95	Parodi estimate	4 000.00	19.5)
"	("	" " " "	"	780.95	SMIG	3 619.00	21.6)
"	("	" " " "	"	780.95	80% of SMIG	2 896.00	27.0)
"	"	" " " "	"	780.95	70% of SMIG	2 533.00	30.8
"	"	" " " "	"	*1 250.00*	" " "	*2 533.00*	*49.3*
United States .	1966	Dollars per annum. . . .	Couple	792.00	Aged (over 65) non-farm 2-person household: economy level	1 890.00	42.0
" "	("	" " "	"	792.00	ditto: near poverty level	2 545.00	31.1)
" "	("	" " "	"	792.00	BLS moderate budget for aged couple	3 869.00	20.5)
Czechoslovakia	1966	Crowns per annum . . .	Single	4 800.00	Individual annual consumption	8 606.00	55.8
"	(1963	Crowns per month . . .	Couple	700.00	Minimum subsistence: urban	766.00	91.4)
"	("	" " "	"	700.00	ditto: rural	700.00	100.0)
Israel	1967	Israeli pounds per month .	Couple	100.10	Katz estimate	156.00	64.1
"	"	" " " "	"	*139.70*		*156.00*	*89.6*
United Kingdom	1965	Shillings per week	Couple	124.80	140% of national assistance standard	175.70	71.4
" "	"	" " "	"	*246.80*	" "	*175.70*	*140.5*
Chile	1965	Escudos per month . . .	Single	176.73	Legal subsistence minimum for white-collar workers in capital	207.92	79.5
Sweden	1968	Kronor per annum . . .	Couple	8 120.00	Minimum budget	8 300.00	97.8

SOURCE: Paul Fisher, "Minimum Old Age Pensions," International Labor Review, July 1970, p. 74.

RELATIONSHIP OF MINIMUM OLD-AGE PENSIONS OF ELDERLY COUPLES TO CONSUMPTION EXPENDITURES

Country (1)	Year (2)	Currency and period (3)	Minimum old-age pension (4)	Consumption expenditures (5)	Col. 4 as % of col. 5
Philippines	1965	Pesos per annum	360.00	2 877.00	12.5
Japan	1967	Yen per annum	81 600.00	544 656.00	14.8
United States	1960/61	Dollars per annum	614.00	3 248.00	18.9
France	1963/64	French francs per annum	1 641.60	8 617.00	19.1
"	"	" " " "	*2 951.60*	*8 617.00*	*34.3*
Israel	1963/64	Israeli pounds per month	74.13	380.30	19.5
"	"	" " " "	*74.13*	*264.00*	*28.0*
Chile	1956/57	Escudos per month	4.95	24.11	24.1
Switzerland	1963	Swiss francs per annum	1 728.00	5 000.00	34.5
"	1965	" " " "	*2 400.00*	*5 326.00*	*45.0*
"	"	" " " "	*4 800.00*	*5 326.00*	*90.1*
Yugoslavia	1963	Dinars per annum	1 098.00	2 932.00	37.4
Sweden	1958	Kronor per annum	3 600.00	7 335.00	49.0
Belgium	1961/62	Belgian francs per annum	38 857.00	75 870.00	51.2
United Kingdom	1967	Shillings per week	134.00	217.31	61.6
" "	"	" " "	*265.50*	*217.31*	*122.2*
Turkey	1964/65	Turkish liras per annum	2 350.00	3 663.00	64.2
Austria	1967	Schillings per annum	20 762.00	24 368.19	85.2
Czechoslovakia	1964	Crowns per annum	8 400.00	4 417.00	190.0

SOURCE: Paul Fisher, Minimum Old Age Pensions, International Labor Review, July 1970, p. 63.

SOCIAL SECURITY SECTOR OF NATIONAL INCOME

	1965	1970	1975 Estimated
Percentage of Social Security Benefits Out of National Income	18.8	19.6	21.5
Percentage of Family Allocations Out of National Income	4.4	3.6	3.2
Percentage of Old Age Insurance Out of National Income	7.7	8.6	9.4

SOURCE: European Economic Commission, L'evolution Financiere de la Securite Sociale chez Les Six, 1965-1975, Direction Generale de la presse et de l'information, July 5, 1972.

EXCHANGE RATES FOR FRENCH FRANC
(per U.S. Dollar)

End of Period	
1966	4.95
1967	4.90
1968	4.94
1969	5.55
1970	5.52
1971	5.22
1972	5.12
1973	4.70
1974 (March)	4.76

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Chapter VI

JAPAN

By
Marylin Chou

JAPAN

A. General Information

According to 1972 statistics, Japan's GNP was almost $280 billion and her GNP per capita $2,639, which placed her 3rd and 15th among the world's industrial countries while her growth rate on both standards--7.6% and 6.4%--ranked second.[*]

Despite this impressive growth, the ratio of social security expenditures to GNP in Japan compared to other advanced countries is low as is its rate of growth. Although there are difficulties inherent in comparing social security expenditures of countries of varying social structures and systems, the following table is of interest in noting broad differences in allocations:

COMPARISON OF SOCIAL SECURITY EXPENDITURES EXPRESSED IN PERCENT OF GNP, SEVEN MAJOR INDUSTRIAL COUNTRIES, 1952-1958[**]

Year	Japan	United States	United Kingdom	Soviet Union	Federal Republic of Germany	France	Italy
1952-53	4.0	4.3	10.0	-	14.6	12.7	9.9
1955-56	4.9	4.9	9.6	8.0	14.3	13.5	10.2
1958-59	4.9	6.2	10.7	10.2	17.8	13.7	11.8
1961-62	4.7	7.0	11.2	10.4	15.9	14.1	11.8
1964-65	5.3	7.0	11.6	10.0	16.4	15.2	13.3
1965-66	5.8	7.2	12.4	10.9	16.8	15.6	15.2
1966-67	6.0	7.3	12.6	11.1	17.4	-	16.2
1968	6.0	7.3	12.7	-	17.5	-	-

Source: International Labor Office, The Cost of Social Security, 1972, table 2, pp. 326-330.

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[*] Gross National Product, Growth Rates and Trend Data by Region and Country, Agency for International Development, in constant 1971 prices (308 yen), May 1, 1973.

[**] Paul Fisher, "Major Social Security Issues: Japan 1972," Social Security Bulletin, March 1973, Department of Health, Education and Welfare, Social Security Administration, p. 15.

Recent efforts, however, have been made to improve this situation. The 1972 social security budget of the Ministry of Health and Welfare was 21 percent higher than that for 1971. In the Welfare paper presented to the Cabinet on December 19, 1972, it was announced that government disbursements for transfer to individuals will be increased by four times, from 3 trillion yen in fiscal 1970 to about 12 trillion yen in fiscal 1977. The paper said, "The increasing of various kinds of social security, centering on old-age annuity, will be pushed."

1. An Arbitrary Poverty Line

In the absence of a statutory definition of poverty, the poverty line was derived at $1,013 in 1971 based on half the national median income of self-employed workers and paid employees.* Of this working group of 43.5 million, 18 percent or 8 million earned less than half the national median income. As evidenced in the following chart, income in Japan is relatively evenly distributed. Only 4 percent earn above $5,580 annually, with the greatest proportion--30 percent--earning between $1,666-$2,750. This distribution is fairly well matched by a nationwide poll on "How Japanese Feel About Their Living Standard," also shown here.

2. Unemployment Rate

The unemployment rate for Japan has remained at slightly over 1 percent from 1967 to 1972. Prior to that it was slightly under 1 percent. The labor force participation rate has declined only slightly from 67.1 percent in 1963 to 64.4 percent in 1972. The decline may reflect the

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*Japan Statistical Year Book, 1972, "Self-Employed Workers and Paid Employees by Industry and Income Group 1971," based on exchange rate prevailing before December 15, 1971--360 yen = $1.00.

SELF EMPLOYED WORKERS AND PAID EMPLOYEES* BY INDUSTRY AND INCOME GROUP 1971

THOUSANDS OF PERSONS	TOTAL	¥240,000 AND UNDER	¥240,000 390,000	¥400,000 590,000	¥600,000 990,000	¥1,000,000 1,490,000	¥1,500,000 1,990,000	¥2,000,000 AND OVER
Self employed	9,899	2,112	1,332	1,549	2,290	1,304	596	662
Employees	33,652	1,695	4,013	6,877	10,726	6,458	2,327	1,477
Total	43,551	3,807	5,345	8,426	13,016	7,762	2,923	2,139
Median	21,775							
Median income	¥730,000	$2,027**						
1/2 median income ¥365,000 = $1,013		8 million or 18-1/2% earn 1/2 or less than 1/2 median income.						

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*Japan Statistical Yearbook 1972.

**Based on exchange rate prevailing before December 15, 1971 (¥360 = U.S. $1.00).

HOW JAPANESE FEEL ABOUT THEIR OWN LIVING STANDARD

Year		Poorer than Standard	Slightly below Standard	Standard	A little better than Standard	Better than Standard
1965	100.0	3.0	17.8	47.0	27.0	5.3
1971	100.0	3.5	16.5	49.0	27.1	3.2

Poorer than standard: They can just manage but not if it continues.

Slightly below standard: They spend almost all on food.

Standard: They don't have to worry about the price of food. They cannot buy luxuries although they own TVs and cars.

A little better than standard: They can buy necessities, not necessarily luxuries.

Better than standard: They can buy everything--life is really happy.

Source: White Paper on Japanese Economy for 1972.

decline among young people aged 15-19 from 46.7 percent in 1962 to 35.7 percent in 1970, because of the proportionately larger number enrolling in secondary level education.

3. Background Data

Japan introduced its first social insurance law dealing with workers' health insurance in 1922. The bulk of the social insurance program was promulgated immediately after World War II under the influence of the U.S. occupation. Since then, health insurance has been improved and, together with pension schemes, has been extended to the entire population.

B. Pension Insurance Programs

The entire Japanese population has social security coverage. Public employees are covered through various mutual aid societies. The two major programs for the private sector are the Employees' Pension Insurance (EPI) which covers 22 million persons and the National Pension Insurance (NPI) which covers 24 million.

The EPI is compulsory for those employed in industrial, commercial, and retail establishments employing five or more persons. Workers employed in establishments employing less than five persons may, however, be insured voluntarily under EPI.

The NPI, which became law in 1961, 20 years after the EPI, is a catchall program covering all Japanese residents aged 20-50 and not covered by another public pension program--such as EPI or the programs for seamen, teachers and civil servants. The program provides both contributory and noncontributory pensions.

The noncontributory national pension is paid to:

1. "Transitional" beneficiaries who have made no contributions to the contributory pension because the qualifying contingency (old age, invalidity, or death of the breadwinner) occurred before NPI began.

2. The victims of national disasters.

3. Those permanently exempted from making contributions:
    (a) persons whose income is low and whose application for exemption is approved by the prefectural governor who bases his judgment on income tax or city tax returns
    (b) disability beneficiaries
    (c) recipients of a noncontributory widowed mother's or guardian's pension
    (d) all public assistance recipients

On the average, contributory pensions are about three times the noncontributory pensions.

1. Size of Benefits

Dissatisfaction with the amount of cash benefits paid by the various programs has centered on the difference between their slow rise and the spectacular economic growth of the country that has increasingly benefitted the working population. (Between 1966 and 1971 industrial wages, in real terms, rose about 50 percent, while consumer prices increased 32 percent.) Pension systems require *ad hoc* legislative action for adjustment to wage and price increases. The chart below indicates how very modestly the two major pension programs replace the pre-retirement income of their old age beneficiaries and how the EPI and NPI benefits differ. Roughly calculated, the 1972 average monthly pension of $60 to an average monthly wage of $266 yields for 25 years' coverage a ratio of 22.5 percent. The International Labor Organization advocates a ratio of 45 percent.

JAPAN (In Yen)

Year	A Annual minimum old-age pension[1]	B Average annual pension[2]	C Average monthly earnings in manufacturing[3]	D Ratio (%) A: 12 x C	E National income per head	F Ratio (%) A: E	G Cost-of living index[4]	H Expenditure per head on GNP at 1960 market prices	I Monthly public assistance standard household (4 persons) large cities	J Ratio (%) A+4800: 12xI (adjusted)[6]
1955	27,600	42,363	16,717	13.7	78,629	35.1	78.1	107,955	8,000	49.3
1956	27,600	42,511	18,348	12.5	85,503	32.3	82.0	115,708	8,000	49.3
1957	27,600	41,547	19,259	11.9	99,184	27.8	79.2	127,506	8,850	44.6
1958	27,600	41,126	19,180	12.0	102,119	27.0	78.9	131,396	8,850	44.6
1959	27,600	40,032	29,792	11.1	111,858	24.7	79.8	143,503	9,346	42.2
1960	28,320	41,714	22,630	10.4	134,492	21.1	82.6	164,199	9,621	41.9
1961	28,320	41,695	24,786	9.5	158,139	17.9	87.0	188,027	10,344	39.0
1962	28,320	41,786	27,256	8.7	177,636	15.9	93.0	199,968	12,213	33.0
1963	28,320	42,510	40,204	7.8	201,118	14.1	100.0	213,151	14,289	28.2
1964	28,320	43,028	33,089	7.1	227,241	12.5	103.9	241,202	16,147	25.0
1965	76,800	91,781	36,106	17.7	249,949	30.7	110.7	247,427	18,204	54.6
1966	76,800	93,887	40,510	15.8	284,833	27.0	116.4	271,299	20,662	48.1
1967	76,800	96,771	45,568	12.9	331,144	23.2	121.0	305,274	23,451	42.4
1968	76,800	-	52,577	12.2	-	-	127.5	-	26,500	37.5
1969	76,800	-	-	-	-	-	-	-	29,945	33.2
				(11.6)		(23.8)				
1955-67	178.3	128.4	172.6	-	321.1	-	54.9	182.8	193.1	(40.9)

[1] The minimum pension listed here refers to the Welfare Pension Insurance Scheme. The benefit formula consists of a basic amount (24,000 yen between 1955 and 1964, and 60,000 yen thereafter) and a wage-reflected portion. The latter is arrived at by multiplying a percentage of the monthly standard remuneration by the number of months the beneficiary has been affiliated to the scheme. Column A reflects changes in the percentage rate (5 percent before 1958, 6 percent 1958-64 and 10 percent after 1964) and in the lowest standard remuneration limit, which was changed from 3,000 yen to 7,000 yen in 1965. Japan has no minimum old-age pension. However, the Welfare Pension Insurance Scheme assumes a minimum wage income for the lowest-paid beneficiaries, disregarding lower actual earnings. This, in effect, produces a series of minimum pensions which vary with the period of affiliation to the scheme. Column A is based on a 20-year affiliation and arrives thereby at a hypothetical minimum pension. Information provided by Mr. Nagahisa Hiraishi, Social Development Research Institute, Tokyo.

[2] Although all the computations are based on the hypothetical minimum pension in column A, it may be useful to show the behavior of average annual pensions, since the figures in column A do not correspond to any actual level of lowest old-age benefits. The actual pensions were affected by the steady upward movement of wages during the period under consideration, a phenomenon which the formula recognized only in 1965. Information provided by Professor Tetsukichi Ando, Professor of Labour Economics and Social Security, Waseda University, Tokyo.

[3] ILO Year Book, p. 527. ILO data include earnings of salaried employees, family allowances, and mid-year and end-of-year bonuses

[4] Ibid., p. 651.

[5] That is, the minimum pension augmented by 4,800 yen (for one dependant), divided by 12 x the monthly public assistance to standard households adjusted for families of two persons.

Source: Paul Fisher, "Minimum Old Age Pensions," International Labor Review, September 1970

AVERAGE ANNUAL PENSION PAYMENTS, 1971

Type of pension	Employees' Pension Insurance		National Pension Insurance	
	Amount (in yen)	Percent of average wage income[1]	Amount (in yen)	average wage income[1]
Newly awarded:				
Old age beneficiary (single)	214,533	22.3	53,703	5.6
Old-age beneficiary and spouse	224,461	23.4	-	-
Invalidity pensioner (fully disabled, single)	210,032	21.8	96,000	10.0
Currently payable:				
Old-age beneficiary couple	173,000	19.1	-	-
Invalidity pensioner (fully disabled)	135,000	14.1	91,200	9.5

[1] Based on the Ministry of Health and Welfare figure of 80,000 yen for average monthly wage income in 1972.

Curiously, the average monthly pension for couples is $48; whereas the monthly payments for couples under public assistance is $73 for elderly couples living in large cities, and twice that figure for a family of four.

2. Retirement Age

Permanent employees in large enterprises are customarily required to retire at age 55 (for women, age 50) and give up the so-called lifelong benefits they have acquired. EPI benefits, however, do not become payable before age 60 for men and 55 for women. This discrepancy forces the so-called "retiree" to find employment either as a temporary worker or a special employee without seniority benefits and with a drastically reduced wage. Eighty-eight percent of the retired workers find jobs at lower pay that sustain them until they can receive a pension.* To further compound the "retiree's" financial difficulties, the EPI program conditions the payment of the full pension on retirement from the labor force. The pension varies according to the age and earnings. The NPI does not withhold benefits, but the level of its benefits is so low that they would almost require a "retiree" to return to work. Japanese labor-participation rates for the age groups 55 and over are consistently higher than those prevailing in other industrialized countries because their retirement benefits are so low.

Coincident to the inadequate retirement benefits, Japanese life expectancy has markedly improved in the last decade, with life expectancy

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*According to one estimate, the proportion of persons over age 60 (17 percent of the population in 1972) is expected to increase to 35 percent by 1996.

Country	Labor-force participation rates, by age group		
	55-59	60-64	65 and over
Japan	71.3	64.4	34.4
United States	64.3	52.2	19.0
France	61.5	48.0	12.4
Federal Republic of Germany	58.4	43.5	14.2
Italy	46.8	31.4	12.9

Source: International Labor Office, Year Book of Labour Statistics, 1971, Table I.

for men estimated at 70.5 years and women at 75.9 in 1972. With the increase in the percentage of old people in the population growing at 3 percent a year, there has been a rise in the suicide rate among old women in Japan (now the highest in the world; with Japanese men seventh).*

C. Health Insurance Issues

The entire Japanese population is covered by either a government-administered or a government-supervised health insurance program. The two main programs are the National Health Insurance (NHI) program, which covers residents not insured through their employment, a total of 43,363,000 in 1971, and the Employees Health Insurance (EHI) program, compulsory for persons employed in manufacturing, mining, and retail establishments employing five or more persons; 22,879,000 persons were covered by EHI in 1971. Under EHI, the insured person and the employer each pay contributions at the rate of 3.5 percent of standard remuneration. Management of EHI is twofold: (1) by the health insurance societies subsidized by employers and (2) by the government for the remainder of the EHI program. Under NHI, the contributions of the insured cover 25 percent of the medical costs; the rest is borne equally by the local government and the national treasury.

The sick person as a rule fares best under a society-managed EHI plan, slightly less well under the government-managed EHI program, and not as well under NHI. One reason for the unequal performance of the two parts of EHI may lie in the unequal distribution of risks. The government-managed program,which covers the great number of relatively small enterprises (with less than 300 employees), insures relatively more employees past age 55 with higher morbidity and utilization rates than those insured under the society-managed programs where persons over age 55 are likely to have been eliminated from the payrolls.

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*Masu Okamura, "Women's Status," Changing Japan, The International Society for Educational Information, Inc., 1973, p. 27.

As the chart below indicates, insured employees in the government-managed program have a lower average income, and thus pay a lower average contribution. Because their health care needs are greater, however, health care expenditures are higher than for employees in the society-managed plans. Thus the need for massive government subsidies.

Item	Amount (in yen), 1970		
	Employee health insurance		National health insurance
	Government-managed	Society-managed	
Average monthly standard remuneration	49,960	61,915	---
Average contribution per insured	39,355	47,718	5,146
Total benefit expenditure per insured	43,807	34,813	17,813
Medical care expenditure per insured	39,786	32,643	12,442

Although the government opposed the maintenance of a dual-track (EHI) system and favors a method by which the prosperous health insurance societies would pool their resources with those of the government-managed system, efforts in this direction have proved fruitless. Even stronger obstacles bar the way to unification of the EHI and NHI programs.

The Japanese health insurance system is experiencing the constant pressure of rapidly increasing expenditures upon revenues. The NHI program is administered by the local communities, which collect and account for the contributions. This program is adequately subsidized by the national government, which carries the entire administrative expenses, 45 percent of the cost of medical care, and a part of other expenses. It receives the overwhelming part of the national government support for health insurance (90 percent).

INCOME AND EXPENDITURES OF THE EMPLOYEES' HEALTH INSURANCE AND NATIONAL HEALTH INSURANCE PROGRAMS, 1970

Item	(In billion yen)		
	Employee health insurance		National health insurance
	Government-managed	Society-managed	
Income, total	547.1	511.7	644.0
Contributions	523.2	456.6	218.2
National subsidy	22.5	1.5	264.8
Other	1.4	53.6	61.0
Expenditures, total	585.4	464.5	601.6
Benefits	582.6	333.4	547.5
Medical care only	529.6	306.0	540.6
Other	2.8	131.1	54.1
Interest paid on loans (for past deficits)	- 8.4	---	---
Annual deficit	- 46.7	---	---
Cumulative deficit	- 178.6	---	---
Balance	- 38.3	47.2	42.4

As a rule, 60 percent of all national outlays in Japan for social insurance are consumed by health insurance. In the 1972 budget of the

Ministry of Health and Welfare, two-thirds of the 2.3 percent increase from the 1971 level had to be earmarked for that purpose.

Criticisms of the Health Insurance Program

The Japanese press has been full of allegations about the shortcomings of the health insurance program. There are claims that the point system (a system of reimbursement that assigns points to different services performed in the hospital) combined with what is termed an excessive demand for medical services, lead to overcrowded waiting rooms, unnecessary treatment, fraudulent claims and, because the number of claims submitted becomes unmanageable, to a breakdown of cost and quality control. Such charges appear to be an indictment of the entire health delivery system of the country, since 98 percent of all hospitals and clinics and 95 percent of all medical doctors are within the social security system.*

D. Family Allowance

The purpose of the family allowance program is to contribute to the stability of family life and to the upbringing and health of children. The legislative history makes it clear that the intent of the law was not to exert a substantial influence on population, wages or employment policy.

All Japanese citizens residing in Japan are covered under this program if they have:

1. an annual income in 1972 not exceeding $6,666 for a family of 5;
2. at least three children under age 18, with the third not older than 15.

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*Fisher, p. 13.

The relatively high income ceiling covers 96 percent of all families in Japan. In 1972, the first year of its operation, family allowances were limited to three children under 5. The number of children benefitting from the law represented one-third of all children in the age groups under 5.

The monthly children's allowance, which amounts to $10.00, will be paid for the third and following children. In 1972, $10 covered only one-fifth of the cost of raising a child. The allowance is tax free and granted without regard to any other public assistance payments.

The Ministry of Health and Welfare determines the cost of the program according to three categories of families: those headed by privately employed persons, those headed by the nonemployed (self-employed and unemployed), and those headed by civil servants. The cost of family allowance for the second and third categories is carried by public funds. To finance the children's allowances privately of employed persons, the estimated cost is derived from four sources: 70 percent is levied against their employers, 20 percent comes from general revenues, 5 percent from the county, and 5 percent from city, town, or village.

E. Public Assistance Program

The following table showing "Numbers Receiving Public Assistance" is impressive not only because the numbers are declining, but also because the ratio of those receiving assistance to the total population is so low. Nowhere in the material issued by the government was there an explanation for either. According to Paul Fisher, ("Major Social Security Issues: Japan 1972") only half of those eligible for public assistance are on the welfare rolls. He believes the reason for the

NUMBERS OF THOSE RECEIVING PUBLIC ASSISTANCE

Fiscal Year	Recipients (A)	A/total Population x 100
1965	1,599,000	1.63%
1968	1,450,000	1.43
1969	1,399,000	1.36
1970	1,344,000	1.30
1971	1,325,000	1.26
1972	1,349,000	1.27

The Welfare offices, responsible for all those in need, have seven district services or aid programs which they are specifically required by Law to administer:

1. Living Aid (general relief): To provide food, clothing, and other items necessary to meet the needs of daily life.

2. Educational Aid: To provide text books, lunch expenses, and other things necessary for those financially unable to comply with compulsory education laws.

3. Housing Aid: To assist those who can not pay their rent or make necessary repairs of houses to maintain the minimum standard of living.

4. Medical Aid: To provide medical examinations, treatment, hospitalization and medicines.

5. Maternity Aid: To assist with pre-natal and post-natal care as well as the cost of delivery.

6. Occupational Aid: To provide the client with the materials or the funds required for his vocational training, so that he can become self-supporting.

7. Funeral Aid: To assist those families unable to meet the cost of burial.

One or more of these seven aids may be provided to the client who is in need of them.

It should be pointed out that the number of public assistance recipients receiving Medical Aid is more than 60 percent of the total.

Of all 17,009 families applied to public assistance in September, 1971, the reasons why the families turned to public assistance were found as follows:

Causes	Number of Households	Percentage
Sickness in the Household	13,025	77
Decline in income	1,719	10
Others	2,265	13
Total	17,009	100

discrepancy between the eligible and those receiving public assistance is due to the fact that social pressure, particularly in the rural areas, forces many needy persons to reject such assistance.

1. Attitudes Toward Accepting Assistance

Although Japan is the first Asian country to have introduced social insurance measures, they have not been developed to the point where the eligible consider the benefits a "right" rather than a "stigma." Ten years ago, Ezra Vogel wrote:

> "Japanese welfare services are not well developed. Benefits are small and few, and not given automatically to people who meet standard criteria of 'neediness.' As a result, families seeking welfare aid are put in a position of having to prostrate themselves before welfare officials in order to receive even the minimum of aid....The Japanese application procedures are often so humiliating, the chance for receiving aid so uncertain, and the amount of aid so inadequate that the typical...family does not expect to seek public help, even in time of need....Some of the rules regarding welfare sound as if services were more widespread than they are."*

This "stigma" quality of public aid may explain why the Burakumin (see Karsten's Chapter I in this volume) are overrepresented on Japan's welfare rolls. They may be more willing to "prostrate themselves" in order to acquire aid.

Although the social security program has improved, the Japan Almanac, 1972 published by Mainichi Newspapers said:

> "Japan's social security exists in outward appearance but it is far from desirable in substance....This conspicuous retardation is attributed to the undeveloped state of the pension system and also to the

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*Ezra R. Vogel, Japan's New Middle Class, University of California Press, 1967, pp. 15-16.

> lower ratio of aged persons to the total population than that in Western countries."*

2. Standard of Assistance

The Ministry of Health sets up the standards of assistance which have been revised every year since the law came into effect in 1946 to bring the standard of relief in line with the current price index and general living standard. At the latest revision, which was put into effect on October 1, 1973, the standard of general relief was raised by 19 percent over the previous year.

Since 1961 the method adopted for determining the need for public assistance has been based on Engel's Law which infers that for a laborer's household under public assistance, if the percentage spent on food in proportion to total household expenses is higher than 50 percent, the household is poor; for a general household without assistance, 32 percent of the household budget spent on food would qualify them as poor.**

3. Public Assistance Provisions

The following standards are the criterion for the minimum monthly living cost which is considered to be needed respectively for three typical kinds of households. If there is any household whose total monthly income is lower than the above standard, the balance is the amount of money that should be given to the household in question.

For 4-person household living in the city - 65,000 yen per month
(parents and two children) ($220)

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*Japan Almanac, 1972, p. 178.

**Social Welfare Services in Japan, 1973, Ministry of Health and Welfare, Japan, p. 3.

For 3-person household living in the city - 47,000 yen per month
(mother and two children) ($150)

For 1-old person household living in the city - 21,000 yen per month*
($69)

4. Administration of Public Assistance

The administration of public assistance is vested in the Social Affairs Bureau of the Ministry of Health and Welfare. All the prefectures and major cities have set up a local administrative unit known as the Department of Public Welfare. Under the direct jurisdiction of the Department of Public Welfare are Welfare Offices which are the primary organs to administer various welfare programs. A Welfare Office is set up, generally, for a population of 100,000.

The budget for public assistance is met by the National Government giving eight-tenths and the prefectural or municipal government contributing two-tenths.**

5. Recipients of Public Assistance

Since 1960, the composition of those receiving public assistance has greatly changed. In 1960 families whose heads were working represented 39 percent of those receiving public assistance; by 1972 that category had dropped to 19 percent, a function of the nation's growth: low-income families are able to command better wages. The aged and children have become the major components of public assistance, and it is anticipated

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*Ibid., p. 3.

**Ibid.

THE MINISTRY OF HEALTH AND WELFARE APPROPRIATED THE FOLLOWING BUDGETS TO EACH OF THESE MAJOR PROGRAMS IN 1971, 1972, AND 1973*

(Unit: Million Yen)

	1971	1972	1973
Public Assistance	250,294	310,045	355,548
Child Welfare Programs	90,276	107,367	131,465
Old Age Welfare Program	22,854	40,039	121,322
Programs for the physically handicapped	3,960	5,617	8,586
Programs for the mentally handicapped	5,098	7,422	10,674
Rehabilitation of ex-prostitutes	670	797	882
Loan Program for family rehabilitation and medical care	1,208	1,285	1,500
Mother's Welfare Loan Program	1,050	1,227	1,420
Aid to the bereaved families of war-dead & the unrepatriated families	26,467	30,205	41,048
Aid to various Social Insurance Programs	90,756	111,414	175,336
National Health Insurance	421,876	489,160	567,693
National Pension Programs	172,582	221,121	332.079
Anti-T.B. Program	45,429	53,936	54,896
Mental Health Program	39,408	50,892	52,926

*Social Welfare Services in Japan, 1973, p. 37.

that families of the aged or the handicapped or fatherless families will also increase their proportion among recipient families in the future.

In 1967 there were about 515,300 families with a mother as the head of the family; 16.5 percent of these families were recipients of assistance.*

F. Children

The Child Welfare Law enacted in 1947 discarded the old definition of child welfare as merely a relief to the needy, and proclaimed child welfare programs as an attempt to promote the welfare of all the children in healthy development into adulthood. The programs for child welfare may be divided into two categories: programs for children in need of protection, and preventive programs for healthy development of children and mothers. One of the preventive programs which might account for why the Japanese infant mortality rate has declined in recent years from 30.7 per 1,000 in 1960 to 13.1 in 1970, requires every expectant mother to report to the office of the mayor of the local municipality to receive a copy of a Maternal and Child Handbook, and also to avail herself of various free services such as regular health examinations, counseling on diet, study programs for maternity care, etc. The Child Welfare Institutions listed on the following page will give an indication of why children are receiving a larger proportion of public assistance. The largest number of clients are infants and preschool children of working mothers who attend day nurseries. With more Japanese women entering the labor force, this number will undoubtedly continue to climb.**

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*Ibid., p. 9.

**Ibid., p. 9.

CHILD WELFARE INSTITUTIONS
(as of October, 1972)

Type of Institutions		Number of Institution	Number of Clients
Maternity Home	For expectant mothers who are unable to provide for their own care	1,040	-
Infant home	For the care of infants under one year of age	131	3,643
Home for Mothers and Children	For widows with children	490	18,006
Day Nursery	To give daily care to infants and preschool children while their parents are at work	15,555	1,303,219
Children's Center	To give informal education and recreation	1,993	-
Children's Home	To protect and care for children without guardians, or those who have been maltreated	520	30,950
Home for Mentally Retarded Children	To give care and education to mentally retarded children	337	23,075
Mentally Retarded Children's Day Care Center	To give daily care to the retarded who come from their own homes	122	3,972
Home for Blind Children	To give care and education to totally or partially blind children	32	1,442
Home for Deaf and Dumb Children	To give care and education to the deaf and mute, or those with severe hearing difficulties	34	1,770
Home for Physically Weak Children	To provide physically weak children with proper environment and good physical care	33	1,810
Hospital-Home for Crippled Children	To give them medical treatment, physical therapy, and education	75	8,220
Day care Center for Crippled Children	To give daily care to the crippled who come from their own homes	22	588
Hospital-Home for Severely, Double Handicapped Children	To give the special care to severely physically and mentally double-handicapped children	28	3,132
Short Term Treatment Center for Emotionally Disturbed Children	To aim at treatment of emotionally disturbed children mainly under 12 years of age who show antisocial pre-delinquent, a-social or neurotic behaviour.	7	195
Home for Juvenile Training & Education	To train and guide juvenile delinquents or potential juvenile delinquents	58	3,506
Childrens Playground	To give Children the places to play	2,613	-

Source: *Ibid.*, p. 9.

G. Aged[*]

Since there has been a sharp increase in the number of people over 65 (from 5.4 million in 1960 to 7.9 million in 1972), accompanied by drastic social changes which have placed older people on their own at a stage in life when they could least afford it, it is understandable why the government predicts that more of their public assistance will be going towards this segment of society.

Some of the programs for the aged which seemed particularly interesting are outlined as follows:

Health Examinations. Cities and towns hold annual health examinations for those 65 and older. For the bed-ridden aged, physicians and nurses visit their homes to examine them. Individual guidance is given to those who need further diagnosis or treatment. Cost of the examination is shared equally among the national, prefectural and local governments.

Family Foster Care. For those who have no family to live with, older persons may be placed in a private family where they can enjoy family care and companionship. Only families authorized by the local government may offer such service, and the families will receive professional guidance and supervision from the Welfare Office concerned.

Grant of Medical Cost. Since January 1, 1973, the government has decided to grant the balance of the whole medical cost and what is shared by health insurance carriers to most of the persons 70 and over, and the bed-ridden aged 65 and over. The cost is shared by two-thirds from the central government and one-sixth each from the prefecture and local government.

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[*] Ibid., pp. 12-14.

Home Helper. The local government may entrust to social agencies the care of old people who live alone and need some help in housekeeping. The agencies provide such people with the so-called Home Helpers, who take care of the shopping, cleaning, cooking, and other household tasks to make the life of the old people more comfortable. In 1973, about 7,060 Home Helpers were engaged in this work.

Free Employment Exchange Service. Free employment exchange services solely aimed at those 65 and over have been provided by Social Welfare Councils in some prefectures and big cities. In 1973, there were 93 offices of this kind.

Programs for Marginal Income Families. Among the programs operated or encouraged by the government to prevent low-income families from becoming dependent on public assistance are the following:

Consumer Cooperative Associations. Consumer Cooperative Associations attempt to protect the economic life of the working class through their own organized power of making direct connections between consumers and producers. Their programs cover a wide range of activities including purchase and sale of daily commodities, operation of public baths, barber shops or community laundries, recreational and cultural activities, etc. In 1971 there were 1,249 associations throughout the country with a membership of 13,650,000, and sales recorded during the year amounted to 260,500 million yen. The government is actively interested in giving aid to these associations by making necessary loans to them.

Loan for Family Rehabilitation. Rehabilitation Funds are loaned to those who are starting a new job and are in economic need, who are receiving occupational training or who need financial assistance to tide over temporary difficulties caused by the illness of a member of the family. The funds for loans are financed two-thirds by the National Fund and one-third by local governments. The following table shows the amount of money loaned and the number of persons having made use of this program during 1972.

Sheltered Workshops. The sheltered workshop program is designed to provide public assistance recipients and marginal income families with the opportunities to gain vocational skills, by working in the sheltered workshops or their own homes with some steady income. As of October 1972, there were 244 sheltered workshops providing public assistance recipients and low-income family members with opportunities of employment.*

Purpose of loan	No. of users	Amount of loan
For operating a business, outfit allowance, vocational training	6,660	(million yen) 1,821
For the vocational rehabilitation of the physically handicapped	3,854	1,170
For additional living expenses	187	14
For welfare	227	9
For housing	10,401	2,725
For schooling	4,201	240
For sickness	3,671	413
For disaster relief	4,453	646
Total	33,654	7,041

H. The Physically Handicapped

In 1972, 1,700,000 physically handicapped applied for handbooks certifying their status as a physically handicapped individual. In that same year, of the 133,700 handicapped persons who wished to be employed, 118,000 were employed, making an employment rate of 88 percent. Almost all of the total of 1,200 persons who had completed the course in public vocational training centers for the handicapped during 1972 were employed. There are 11 training centers of this sort in this country.*

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*Ibid., p. 25.

I. Volunteer Workers in Welfare Services (Minsei-in)

The system of volunteer workers in Welfare Service, called "Minsei-in," dates back to 1917. Today they number 160,000, of which more than 30 percent are women. They serve by appointment of the Minister of Health and Welfare for a three-year term. A Minsei-in is assigned to an area of a city, town or village to investigate the social conditions of his district. He is to find families in his district who are in need of public assistance and help the recipients of public assistance rehabilitate and support themselves. He cooperates with the public assistance workers and is usually active in various community projects. He is generally a member and leader of the Council of Social Welfare in his community.**

J. Education

Compulsory education in Japan extends over nine years--six years at primary school and three years at junior high school. Senior high school is three years and is part of the public school system. In addition, and as a part of the regular education system, four-year evening senior high schools have been established as well as correspondence courses, thus opening the door of education to youths who have had to enter employment after finishing their compulsory education. In 1972, about 87 percent of the students completing the junior high level continued onto senior high school; and 29 percent of the senior high school graduates went to junior colleges or universities.

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*_Ibid_., p. 17.

**_Ibid_., pp. 31-32.

In 1970, there were 459,000 entrants to universities and junior colleges, which represented 2.5 times as many as in 1959 and 21.4 percent of the corresponding age group. At the graduate school level, there were 27,700 enrolled for Masters' degrees, an increase of three times the 1959 number; and 13,200 studying for their doctorates, a two-fold increase since 1959.*

K. Housing

A government survey of 20,000 men and women taken between January 23rd and February 5, 1970 on the standard of living, indicated that 20 percent of the respondents felt that the government should improve social welfare first of all, superseded only by the 32 percent who wanted improved housing. Japan has a very high population density. With a population of 104.6 million in 1970, its population density was 280 per square kilometer. Housing is cramped and expensive. Land prices are soaring.**

The second five-year housing plan in 1971 estimated that 9,500,000 houses are needed by the end of 1975 to meet new demands brought about by the increasing number of households and by destruction or deterioration of existing houses, of which 3,800,000 houses are to be built by or loaned from public funds.

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*Ibid., pp. 64-65.

**Mainichi Daily News, September 1970.

Public housing for middle- and low-income families is built with national subsidies in compliance with the provisions of the Public Housing Law. They are of two types: first-class public housing for those whose monthly income is not more than 40,000 yen ($130) and second-class public housing for those whose monthly income is not more than 24,000 yen ($79). The national subsidy aids one-half of the construction costs in the case of the first class and two-thirds in the case of the second class. The remaining expenses are borne by the local government.*

KEY INDICATORS OF SOCIAL SECURITY

	1950	1955	1960	1965	1970
Expectation of life (age)					
Female	59.57	63.60	65.32	67.73	69.33
Male	62.97	67.75	70.19	72.95	74.71
Infant mortality rate (per 1,000 live births)	60.1	39.8	30.7	18.5	13.1
Deaths by all forms of tuberculosis (per 100,000 persons)	146.4	52.3	34.2	22.8	15.4
Waterworks diffusion rate (ratio of population served)	25.0	32.2	53.4	69.4	81.0
Living protection rate (per 1,000 persons)	23.7	21.6	17.4	16.3	13.0
Number of day nurseries (institutions)	3,630	8,321	9,782	11,199	14,101
Number of homes for aged, special homes for aged, low-cost homes for aged	172	460	607	765	1,014
Social Security beneficiaries (1,000 persons)					
Medical care	50,000	60,081	91,624	97,001	103,631
Pensions	10,000	11,779	17,411	43,349	51,948

Source: Japan Almanac 1972, p. 179.

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*Ibid., September 1970.

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Chapter VII

THE SOCIAL WELFARE PROGRAM OF THE NETHERLANDS

By
Marylin Chou

THE SOCIAL WELFARE PROGRAM OF THE NETHERLANDS

The Netherlands is the most densely populated country in Europe; and its population is exceeded in Asia only by Taiwan. It has over 13 million people with a population density of 380 per square kilometer. In 1971 the GNP of the Netherlands was $39 billion, and the GNP per capita $2,990.

A. Defining the Poverty Line

Lacking a specific definition of poverty, I have tried to derive a poverty line through three different approaches: finding half the national median income of wage earners in 1966; multiplying the minimal annual cost of food for 1966 by three; and comparing the first two figures with what the Dutch consider the guaranteed minimum income for 1966. It is interesting to note how closely all three figures agree. Half the national median income in 1966 was 6,500 guilders ($1,820); three times the minimum annual cost of food was 7,200 guilders ($2,016); and the guaranteed minimum income for a fully employed adult male worker in 1966 was 6,240 guilders ($1,747).*

B. Unemployment

In 1966 only 38% (4.7 million) of the total population of 12.5 million was employed. The reason for the low percentage is because only 30% of the female population in the 15-65 age group worked, owing to the general feeling in Holland that a woman's place is in the home. Based on the following chart on "Number of Wage Earners as a Percentage of the Total," 16.4% or 770,000 wage earners earned one-half or less than one-half the national median income.

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*Based on end of 1966 exchange rate of 1 guilder = U.S. 28¢. Throughout this paper all dollar figures are in current dollars.

NUMBER OF WAGE EARNERS AS A PERCENTAGE OF THE TOTAL
1966

LESS THAN f2,000 YEARLY	FROM f2,000-f4,000 YEARLY	FROM f4,000-f6,000 YEARLY	FROM f6,000-f8,000 YEARLY	FROM f8,000- 10,000 YEARLY	FROM f10,000-20,000 YEARLY	f20,000 YEARLY AND OVER
1.1%	4.3%	8.0%	11.9%	15.2%	33.3%	26.2%
$1,100	202,100	376,000	559,330	714,400	1,565,000	1,231,400

4.7 Million work force

Median income f13,000 ($3,640) = 51.8% of wage earners = 2,350,000

1/2 Median income f6,500 ($1,820) = 16.4% of wage earners = 770,000

Minimum income 1966 f6,248 = $1,747

GNP/cap - 1966

GNP/cap - 1971 - $2,600

3 times the minimal annual cost of food = f2,400 X 3 = f7,200 ($2,016)

Based on end 1966 exchange rate of guilder = 28¢

In 1969, the unemployment rate was 1.3% or 49,300. For many years the Netherlands has suffered from the same shortage of labor that afflicts her neighbors. The demand in the public and private sector has absorbed the extra labor made available by the nation's population growth, so unemployment continues to stay at a low level. In 1968, 2% (103,000) of the working population was composed of foreign workers. According to Pathius and van der Spek, exact figures on the shortage of labor in trade and industry are not available, but it is known that the number of vacancies registered at labor exchanges is nearly twice the number of the available labor reserve.* There is a particularly severe shortage of skilled labor, which is exacerbated by the fairly constant flow of reasonably well-trained and skilled workers emigrating from the Netherlands yearly. Since 1961 the annual number of emigrants has averaged between 50,000 and 60,000.

C. Wage Differences

1. Agriculture Vs. Industry

Data on the average wages earned by workers in agriculture and stock breeding in 1968-69 indicate that farm workers' wages are lagging fairly well behind wages earned in industry. The average gross weekly wage for agricultural workers was 184 guilders ($51.10); for industrial workers 256 guilders ($71.10). The guaranteed minimum income for male workers fully employed was 120 guilders ($33.33) a week when the new guarantee was introduced in 1966, indicating that the agricultural worker was earning $18 a week over the guaranteed minimum income. It should be noted that the consumer price index increased by approximately 20% over the period 1966-1970 demonstrating that the increase in the guaranteed minimum income primarily adjusted for inflation.

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*The Netherlands Work and Prosperity, de Tildstroom, Lochem, 1971, p. 19.

2. Male Vs. Female

Because of the Dutch tradition of a woman's place being in the home, working women are not benefiting from the concept of equal pay for equal work. Seven percent of the married women were working in 1960, but only 2.6% of the total number were engaged in working for their own account. The others were working for their self-employed husbands. In France and the United Kingdom, the corresponding figure fluctuates around 20%; West Germany, 25%; the U.S.,over 40%. The average wage earned by female workers in October 1969 in all occupations and jobs in the industrial sector was 150 guilders per week ($41.70), 68% of that earned by men. The bright side of the grim picture is that wages earned by women are rising more rapidly than those earned by men. In October of 1961, the average wage earned by women was only 58% of that earned by men. The 1969 average of 150 guilders a week is 3 guilders less than the 1970 guaranteed minimum wage. With women comprising 1 million of the 4.7 million working population in 1970, a good majority of the 770,000 earning less than half the median income must have been women.

D. The Cost of Social Security

In 1971 the Dutch paid 15 cents of each GNP dollar for social security taxes, as compared to the Americans who paid only 5.7 cents. As the following chart indicates, the Dutch paid more than any other country towards social security taxes. In terms of total tax burden, including federal,

TAXES PEOPLE PAY--IN U.S. AND OTHER MAJOR NATIONS

Total tax load, including national, State and local levies, measured in terms of cents per dollar of total national output:

	Direct Taxes (on incomes, corporate profits, estates gifts)	Indirect Taxes (sales and property taxes excises)	Social Security Taxes	Total Tax Burden
Denmark	21.2¢	19.0¢	3.8¢	44.0¢
Netherlands	14.4	12.8	15.0	42.2
Sweden	19.6	14.7	7.5	41.8
Norway	12.2	18.6	10.7	41.5
Austria	9.6	17.5	9.7	36.8
Britain	14.6	16.1	5.0	35.7
France	5.7	15.0	14.9	35.6
Belgium	11.6	13.1	10.5	35.2
West Germany	10.8	12.0	11.7	34.5
Canada	14.2	15.4	2.6	32.2
Italy	5.8	13.4	11.7	30.9
United States	12.2	9.9	5.7	27.8
Switzerland	9.8	8.5	5.7	24.0

Note: Chart is based on 1971 data, latest available, from the Organization for Economic Co-operation and Development.

Source: U.S. News and World Report, December 19, 1973.

TOTAL EXPENDITURE ON PUBLIC SOCIAL SECURITY AS A PROPORTION OF GNP AT CURRENT PRICES

	Proportion			Increase	Index			Rank Order		
	1952 %	1961 %	1966 %	1952-66 %	1961 (1952=100)	1966 (1961=100)	1966 (1952=100)	1952	1961	1966
Austria	15.9	16.5	18.5	2.6	104	112	116	1	1	1
Germany	14.6	15.9	17.4	2.8	109	109	119	2	2	2
Ireland[a]	8.0	9.3	10.2	2.2	116	110	128	7	8	7
U.K.[b]	10.0	11.2	12.6	2.6	112	113	126	4	4	5
Denmark	9.5	10.8	13.2	3.7	114	122	139	5	6	4
Netherlands	8.3	11.1	16.7	8.4	134	150	201	6	5	3
Canada[a]	6.1	9.6	9.6	3.5	157	100	157	8	7	8
U.S.A.[a]	4.3	7.0	7.2	2.9	163	103	167	10	10	10
New Zealand[a]	10.9	13.1	11.8	0.9	120	90	108	3	3	6
Australia[a]	6.1	8.5	8.2	2.1	139	96	134	8	9	9

[a] Figures refer to 1951-2, 1960-1 and 1965-6 respectively.

[b] Figures refer to 1952-3, 1961-2 and 1966-7 respectively.

Source: The Cost of Social Security (International Labour Office, Geneva, 1972) Table 2.

INDICES OF PER CAPITA EXPENDITURE ON SOCIAL SECURITY BENEFITS

(At constant prices[a])

	(1964=100)			(1952=100)	
	1952	1961	1966	1966	Rank Order
Australia	45	83	112	249	3
Germany	41	87	113	276	2
Ireland[b]	54	84	112	207	7
U.K.[c]	63	90	113	179	9
Denmark[b]	50	77	118	236	5
Netherlands	34	67	126	371	1
Canada[b]	46	90	108	235	6
U.S.A.[b]	46	87	112	243	4
New Zealand[b]	84	98	103	123	10
Australia[b]	56	86	105	188	8

[a] Values adjusted according to cost-of-living indices.

[b] Figures refer to 1951-2, 1960-1 and 1965-6 respectively.

[c] Figures refer to 1952-3, 1961-2 and 1966-7 respectively.

Source: I.L.O., The Cost of Social Security, Table 6.

state and local levies, the Dutch pay 42.2 cents per dollar of GNP, an amount exceeded only by the Danes, who pay 44 cents. In 1969 a married industrial worker with two children earned an average of 256 guilders ($71) a week, on which he paid a wages tax of 17 guilders ($4.72) and social insurance deductions of 43 guilders ($11.94). While the industrial worker had to pay 19.5% of his wages toward social insurance, the industrial employers had to pay as much as 47.5% of that wage in contributions to social security schemes.[*]

In 1960, employee contributions amounted to 7.1% of personal primary income. In that year, social security was financed as follows: 39.2% from employer contributions; 40.3% from employees; 12.7% from the general government; and 7.7% from other sources.[**] By contrast the percentages for 1968 were 12.5%, 38.8%, 50.7%, 7.0%, and 3.5% respectively.

E. Social Insurance

Social insurance in the Netherlands can be divided according to provisions under National insurance and those under Workers' insurance. Under National insurance are General Old Age Pensions, General Widows' and Orphans' Pensions, General Special Sickness Expenses, and General Children's Allowances. Under Workers' insurance are Health Insurance, Working Incapacity Insurance, Compulsory Sick Fund, Unemployment Benefits and Wage Earners' Children's Allowances. See chart for employer-employee contributions and benefits.

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[*] The Netherlands Work and Prosperity, pp. 5 and 29.

[**] ILO, The Cost of Social Security, 1950-60, Geneva, 1964, United Nations Yearbook of National Accounts Statistics, 1965.

SOCIAL INSURANCES. INCOME AND EXPENDITURE ACCORDING TO TYPE OF INSURANCE; 1968

	Income					Expenditure			
	Employers' contributions	Family contributions	State contributions	Other income	Total	Benefits paid	Other expenditure	Total	Balance
					x f 1 000 000				
Occupational incapacity insurance	988.3	215.2	118.5	95.9	1,417.9	1,253.8	180.5	1,434.3	- 16.4
Old age pension insurance	-	3,983.5	194.0	-	4,177.5	3,905.3	50.5	3,955.8	+221.7
Health and medical expenses insurance	2,334.3	1,846.7	525.4	185.0	4,891.4	4.255.6	363.3	4,618.9	+272.5
Unemployment insurance	287.0	134.4	104.0	102.9	628.3	331.5	106.7	438.2	+190.1
Family allowances	1,719.5	151.6	11.6	85.2	1,967.9	1,849.8	52.4	1,902.2	+ 65.7
Widow's and orphans' pension insurance	-	617.0	0.9	-	617.9	556.1	51.9	608.0	+ 9.9
TOTAL	5,329.1	6,948.4	954.4	469.0	13,700.9	12,152.1	805.3	12,957.4	+743.5

ABRIDGED SURVEY OF SOCIAL SECURITY
(Contributions as from 1 May, 1971)

National Insurance	Employer	Employee	To be paid up to a maximum of
General Old-Age Pension Act	-	9.9%	£18,800-per yr.
General Widows' and Orphans' Pensions Act	-	1.5%	
General Special Sickness Expenses Act	1.6%	-	
General Children's Allowances Act	2.0%	-	
Employed persons' insurance			To be paid (with a five-day week) up to a maximum of
Health Insurance Act (the percentages stated are averages, since there are differences per branch of industry)	6%	1.0%	£96-per day
Working Incapacity Insurance Act	4.15%	1.45%	£96-per day
Compulsory sick fund insurance (only in the case of a fixed wage not exceeding £ 17,050)	3.85%	3.85%	£55-per day
Unemployment Benefits Act	0.5%(avg)	0.5%(avg)	£96-per day
Wage-Earners' Children's Allowances Act	3.3%	-	£18,800-per yr.

F. Programs Covering the Entire Nation

1. National Pension System

One of the unusual features of the national pension system in the Netherlands is that flat pensions which do not vary with earnings are paid to all beneficiaries reaching the age of 65. For a single person, the sum as of 1971 would be 4,544 guilders ($1400) annually and for married couples 6,456 guilders ($1985). The flat pension is adjusted to the official price or wage index. The General Old Age Pensions Act is compulsory for the entire population. In principle, however, a full old age pension will only be paid to persons who have been insured from the age of 15 to 65 and have not deliberately avoided paying their contributions. The amount is reduced by 2% for each year of unexcused contributions. Funds for which pensions are paid are obtained mainly from contributions by the persons insured. Employers do not contribute towards this fund. Beneficiaries 65 years and over may still receive their full pension if they are fully employed. Contributions toward the pension fund were [illegible] 9.1% of the income, although no contribution is due on the part [illegible]on's income in excess of 17,450 guilders ($5,363).*

2. Family Allowances

Another program provided by social security in the Netherlands which benefits the entire population comes under the Family Allowances Act, which is divided into three acts, according to the employed status of the wage earner. From the third child onwards, children's allowance is paid

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*Social Insurance, Facts and Figures, The Kingdom of the Netherlands, 1970-71, p. 8.

TOTAL AMOUNT OF BENEFIT IN MILLIONS OF GUILDERS

	1969	1970[1]	1971[1]
Disability Insurance	226	220	245[2]
Sick pay insurance	1,811	2,100	2,500
Working incapacity insurance	1,425	1,650	1,875
Retaining wage and unemployment insurance	235	270	315
Sick fund insurance	2,504	2,950	3,565
Children's allowances insurance	2,056	2,330	2,510
General old-age pensions insurance	4,595	5,250	6,040
General widows' and orphans' insurance	648	745	845
General special sickness expenses insurance	865	1,100	1,400
	14,365	16,615	19,295

[1] The amounts are estimated.

[2] Including commutation sums.

Source: A publication of the Ministry of Social Affairs and Public Health, External Relations Staff Department, Zeestraat 71a, The Hague, the Netherlands, tel. 070-183220, telex 32226, and the Social Security Information Centre, Rhijnspoorplein 1, Amsterdam, tel. 020-927474.

to everyone under the General Children's Allowance Act. The allowances in 1971 range per quarter from 140 guilders ($43) for the first child to 258 guilders ($80) for the eighth and following child. Although family allowances cover children under 16 years of age, the age ceiling can be raised to 27 when the child is receiving his education or being trained for a trade or profession, or if the child is a permanent invalid. In 1971, total benefits under the Children's Allowances insurance amounted to 2.5 million guilders ($770,000).

3. Health

If one is to judge the general health care of the Dutch citizenry from their infant mortality rate and life expectancy the Netherlands rates very high. In 1969 the infant mortality rate was 13 per 1,000 compared to 21 in the U.S.; 23 in Germany, 21 in Canada, and 19 in the U.K.

The proportion of men and women surviving up to the age of 65 years does not differ as widely as the infant mortality rate, but the differences are all the same quite remarkable. In the Netherlands 74% of all males survived to that age, compared to 64% in the U.S. For men, the expectation of life at 65 was greatest in the Netherlands (13.7 years). For women, the expectation of life at 65 was highest in Canada (16.7 years), second highest in the Netherlands (16.4 years).

a. Health Insurance

Compulsory health insurance which provides medical, pharmaceutical and dental care, hospital nursing and numerous other provisions in the

Netherlands is restricted to employed workers earning a fixed wage of not more than 17,050 guilders ($5,240) annually. It is possible, however, for the compulsorily insured workers whose wages exceed the wage limit to continue their insurance on a voluntary basis.

The voluntary sick fund insurance is open to persons who do not come under the compulsory sick fund insurance and whose incomes do not exceed 17,050 guilders ($5,240). The contribution is calculated per person with the proviso that for children below the age of 16 no contribution has to be paid. The old people's insurance is open to persons 65 and over who have an income of less than 11,493 guilders ($3,530) per year. The contribution depends on income and ranges from 20.70 guilders monthly ($6.40) for those having an income of up to 6,768 guilders ($2,080) to 72.45 guilders ($22.25) for incomes between 9,636 ($2,960) and 11,493 guilders ($3,530).

It would appear therefore that residents, especially the employed, are well covered. But what about the individual who is self-employed and earns over the income limit? In the Netherlands, as well as in Germany, the abolition of the wage limit is strongly opposed by the medical profession, since it might mean the loss of some of their private patients, and by the commercial insurance sector which sees the possibility of severe restriction in its field of action.

The Sick Fund insurance is financed by matching contributions from the employer and employee of 4.95% of gross wages from the employer and 4.75% from the employee. The government provides 15-20% of the program costs.

The Health Insurance Act insures employed persons against loss of wages as a result of sickness, accidents and infirmity for not longer than 52 weeks, with benefits amounting to 80% of the daily wage. For this insurance, the employer contributes on the average of 6% and the employee 1%. If the employed person is still disabled (up to 15%) after a year, he is then covered by the Occupational Incapacity Insurance Act, which will provide him from 10% to 80% of his daily wage depending on the measure of his disability.

Another insurance which covers the entire nation is the General Special Sickness Expense, the purpose of which is to provide insurance against exceptional medical costs. The Act provides for payment of the expenses incurred for special or protracted treatment or nursing. The insured are entitled to treatment and nursing in a hospital, psychiatric institution or sanatorium insofar as treatment lasts longer than one year. In 1971 employers contributed up to 1.6% of wages toward the cost of this insurance.

b. The Cost of Health Care

In terms of annual rates of increases of actual unadjusted health expenditures, the Netherlands emerges as first in the following chart with an increase of 15.1% between 1963-1969.[*] Between 1964 and 1967 health expenditures represented between 11% to 11.9% of the total government budget.[**] From 1963 to 1969 health services expenditures comprised 4.8 to 5.9% of the GNP.[***]

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[*] Medical care "Expenditures in Seven Countries," Social Security Bulletin, March, 1973, p. 24.

[**] Social Security Bulletin, July, 1973, p. 25

[***] Social Security Bulletin, March 1973.

AVERAGE ANNUAL RATES OF INCREASE IN EXPENDITURES FOR HEALTH SERVICES, CONSUMER PRICE INDEX WAGE INDEX, GROSS NATIONAL PRODUCT, AND POPULATION, SEVEN COUNTRIES, SELECTED PERIODS, 1961-69

Country (ranked by health services expenditure rate)	Period	Average annual rate of increase for							
		Health expend-itures	Consumer price index	Health expenditure adjusted for CPI changes	Wage index	Health expenditure adjusted for wage index changes	Health expenditure adjusted by average of CIP and wage index changes	Gross national product[1]	Population
Netherlands	1963-69	15.1	5.0	10.1	10.1	5.2	7.7	11.9	1.2
France	1963-69	14.9	3.7	10.9	7.5	7.0	9.0	10.1	.9
Sweden	1962-69	14.0	3.9	9.2	5.3	8.2	8.7	9.8	.7
Canada	1961-69	13.2	2.9	10.1	5.4	7.3	8.7	9.9	1.8
Federal Republic of Germany	1961-69	10.3	2.6	6.8	7.5	2.6	4.7	8.0	1.0
United States	1962-69	10.1	2.9	6.9	4.2	6.0	6.5	7.3	1.1
United Kingdom	1962-69	9.5	3.8	5.6	4.7	4.6	5.1	6.9	.7

[1] In current prices.

GOVERNMENT HEALTH EXPENDITURES AS PERCENT OF TOTAL GOVERNMENT BUDGET, SEVEN COUNTRIES, SELECTED YEARS

(Millions of national currency units)

Country	Year	Health expenditures	Percent of total budget
Canada	1966-1967	2,018	17.4
	1969-1970	3,557	28.3
United States	1967-1968	19,923	10.5
	1968-1969	22,780	11.0
	1969-1970	24,982	11.0
Federal Republic of Germany	1968	6,347	3.7
	1969	6,955	3.5
Netherlands	1964	1,980	11.0
	1965	2,300	11.0
	1966	2,720	11.4
	1967	3,180	11.9
Sweden	1965	3,776	11.7
	1966	4,482	12.0
United Kingdom	1965	1,520	16.1
	1966	1,655	16.3
	1967	1,838	16.1

Source: World Health Statistics Report, vol. 24, No. 11, 1971, and vol. 23, No. 11, 1970, World Health Organization.

TOTAL EXPENDITURES FOR HEALTH SERVICES AS PERCENT OF THE GROSS NATIONAL PRODUCT, SEVEN COUNTRIES, SELECTED PERIODS, 1961-69

Country (ranked by percent of GNP)	WHO estimates[1]		SSA estimates	
	Year	Percent of GNP	Year	Percent of GNP
Canada	1961	6.0	1969	7.3
United States[2]	1961-1962	5.8	1969	6.8
Sweden	1962	5.4	1969	6.7
Netherlands	1963	4.8	1969	5.9
Federal Republic of Germany[3]	1961	4.5	1969	5.7
France	1963	4.4	1969	5.7
United Kingdom	1961-1962	4.2	1969	4.8

[1] Brian Abel-Smith, An International Study of Health Expenditure, WHO Public Health Paper No. 32, World Health Organization, Geneva, 1967.

[2] Figures differ slightly from official SSA estimates because of adjustment to account for expenditures in medical education.

[3] Excluded from WHO study. Figure for 1961 is SSA estimate.

4. Unemployment Provisions

The Unemployment Act provides for the insurance of workers against the financial consequences of involuntary unemployment. It provides for two kinds of benefits: retaining-pay benefit and unemployment benefit. The insurance applies to all persons employed under a collective labor agreement, except such categories as public servants, teachers, and persons over 65. Any worker who is unemployed for one day or part of a day is entitled to the benefit. To qualify for benefits under retaining-pay insurance, a worker must, among other things, have been employed by one or more employers in the same line of business for 130 days during the preceding 12-month period. Benefits under retaining-pay insurance are normally paid for 40 days. Thereafter the insurance is paid for 130 days under unemployment insurance. To qualify for unemployment pay, the workers should have been in paid employment for 65 days in the course of the 12-month period preceding unemployment. Both retaining pay benefits and unemployment benefits amount to 80% of the insured's daily wages, one of the highest compensation ratios. If the worker still has not found employment after 185 days he qualifies for benefits under the Unemployment Relief Act under which he receives benefits amounting to 75% of his daily wage (maximum 102.20 guilders--$31.40) for not more than two years. The first two Acts are very similar in duration of time to the length of time unemployment is provided in the U.S. The Unemployment Relief Act, however, seems exceedingly generous; but perhaps it needs to be viewed in terms of their very low unemployment rate. The retaining pay insurance contributions are financed by matching contributions from the employer and insured worker. The unemployment insurance is financed one-fourth by the employer, one-fourth by the employee and one-half by the State. The Unemployment Relief Act is not a social security act but a general social facility operated by the municipalities.*

5. Public Assistance

The Netherlands has a number of categories in the population which require some form of public assistance. These include the physically handicapped, war victims, and the unemployed in relatively unprosperous areas. Other groups frequently mentioned are the self-employed with marginal incomes and disadvantaged persons repatriated from former Dutch colonies.

The welfare system differs from most other countries in that government agencies have little direct contact with welfare recipients. Most of the actual field work is done through private organizations, such as the churches and trade unions. The government subsidizes their efforts from general revenue, providing about 85% of the total costs. It exerts direction over these activities by establishing standards and adjusts priorities by varying the amount of grants for individual items.

The Public Assistance Act of 1963 placed emphasis on the right of the needy citizen to social assistance, stating "the provision of assistance is the clear responsibility of the State, which is under an obligation to provide assistance...The assistance provided by the State is solely financial." Another principle propounded was that aid should be adapted as far as possible to the needs of the person applying for it.**

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*Social Security in the Netherlands, May 1971, and The Netherlands Work and Prosperity, pp. 41-42.

**Income Maintenance in the Netherlands and Social Welfare, Facts and Figures, 1970-71, p. 15.

Government publications emphasize that the trend in recent years has been to stress nonmonetary forms of assistance rather than financial help. Accordingly, large sums have been spent on developing rehabilitation programs and subsidized forms of employment such as sheltered workshops and community public works. Considerable expense has also gone into such programs as halfway houses and home help which allow people to remain out of institutions and to be gainfully employed.

G. Sheltered Workshops

The sheltered workshops network stands out as the most successful feature in the country's progress toward rehabilitating the mentally retarded. The Netherlands has created more special employment in relation to the size of its labor force and its level of unemployment than other developed countries. Estimates of the proportion of mentally retarded in the Netherlands' population correspond fairly closely to those for the United States: 3% of the school-age population is categorized as mentally retarded. (Children with an IQ of roughly less than 80 are considered retarded. The cutoff point for imbeciles is set at 60.) The number of sheltered workshops has been growing rapidly. In 1964 there were 191, about three times as many as there were 10 years earlier. The number of mentally retarded persons who were employed in these workshops was 6,000 in 1961 or 75 per 100,000 of adult population. Their IQ's generally run about 45-65, and most of them are thus in the imbecile category.*

The workshops emphasize preparation for work in industry. In practice, however, the number passed on to regular industry does not seem to be high, probably because only the less trainable are accommodated in the workshops. One manager of a workshop for 90 persons estimated that annually about 5% of his workers are able to take on regular employment elsewhere. Authorities believe that even though most of the workers never become competitively productive from a purely economic point of view, the therapeutic value of such employment should not be underestimated. The Ministry of Social Affairs and Public Health subsidizes the workshops up to 75% of wages and a considerable amount of the costs incurred in business operations. Workers are paid in a complicated point system with the maximum wage set at the minimum wage prevailing in normal industry. In 1965 this was 100 guilders ($28) per week. Workers who cannot achieve one-third of the normal working level are paid on a different, lower salary scale.

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*"Mental Retardation in Four Countries," Social Security Abroad, Social Security Bulletin, May 1970, pp. 3, 5 and 6.

American observers of the Dutch workshops have come to the conclusion that the mentally retarded can perform much more complex operations than they had previously thought possible. It is reported, for example, that power machines are operated even by workers with IQ's below 50.

The Dutch have also set up group homes with minimally sheltered living situations. In 1962, it was estimated 8,000 of the mentally retarded were placed in these facilities. The estimate for 1970 was 13,500, or a rate of 2 per 1,000 of adult population.

H. Social Service

1. Family Welfare

The State social service aims at offering citizens a range of services from which they can choose those answering their own personal and social needs. To allow people to make their own choice, services must be flexible.

JOB CREATION FOR THE SEVERELY HANDICAPPED, THE NETHERLANDS* AND SWEDEN+, 1954-1968

	Outdoor Projects		Sheltered Workshops		Home Workers	Projects for Nonmanual Workers	
Year	*The Netherlands* [a]	*Sweden* [b]	*The Netherlands* [a]	*Sweden* [c]	*Sweden* [c]	*The Netherlands* [d]	*Sweden* [b]
1954	7,556		1,817	436	90		
1956	6,980		5,779	614	500		832
1958	9,119	32	10,475	1,020	709	1,598	878
1959	9,765	150	12,639	1,246	741	1,925	1,152
1960	9,275	556	14,989	1,577	783	1,876	1,360
1961	8,304	825	16,606	1,878	789	1,716	1,523
1962	7,491	1,387	17,254	2,164	773	1,604	1,635
1963	6,894	2,105	17,851	3,273	759	1,631	1,903
1964	6,793	2,580	18,995	4,268	767	1,639	2,194
1965	6,493	3,778	20,337	5,032	971	1,798	2,525
1966	6,848	4,525	21,935	6,257	941	2,072	2,848
1967	8,332	8,279	24,812	7,466	1,108	2,476	3,301
1968	10,032	13,474	28,743	9,175	1,031	3,264	4,146

[a] Ministry of Social Affairs and Public Health. Number at work at the end of June. Sheltered workshops include a few hundred home workers.

[b] National Labour Market Board. Annual average of mid-monthly totals on outdoor projects. Monthly averages of nonmanual workers are presented for budget year (July–June).

[c] National Labour Market Board, Vocational Rehabilitation Division. Number of workplaces available at the end of December.

[d] Ministry of Social Affairs, Social Assistance and Complementary Employment Provisions Section. Number at work at the end of June. Excludes artists receiving grants; about 600 a year recently.

* The total population of the Netherlands was 10,615,000 in 1954 and 12,455,000 in 1966.

† The total population of Sweden was 7,213,000 in 1954 and 7,808,000 in 1966.

Source: Beatrice Reubens, The Hard-to-Employ: European Programs, 1970.

EXPENDITURES ON JOB CREATION, THE NETHERLANDS, SWEDEN, AND GREAT BRITAIN, 1956-1969

	The Netherlands (1 fl. = $ .28)			Sweden (1 kr. = $ .19)				Great Britain (1£ = $2.40)	
	Total Cost	*Subsidies by Central Government*		*Subsidies by Central Government*			*Total Cost*	*Department of Employment and Productivity Expenditures* [f]	
Year	Special Public Works [a] florins (000)	Sheltered Workshops and Outdoor Projects [b] florins (000)	Nonmanual Job Creation [b] florins (000)	Special Public Works [c] kronor (000)	Outdoor Work for Handicapped [e] kronor (000)	Nonmanual Job Creation [d] kronor (000)	Sheltered Workshops [c] kronor (000)	Reemploy, Ltd., Loans and Grants pounds (000)	Other Workshops [g] pounds (000)
1956	64,700	31,600	n.a.	n.a.	n.a.	n.a.	5,327	2,737	670
1957	59,700	45,400	n.a.	88,005	1,522	n.a.	7,275	2,820	778
1958	84,200	57,100	n.a.	210,526	2,077	6,987	8,263	2,955	859
1959	91,700	59,000	7,600	373,576	10,000	9,179	9,251	2,972	935
1960	61,000	56,500	7,500	332,973	23,500	10,606	11,116	3,044	908
1961	36,200	69,170	7,600	195,884	25,577	12,480	13,307	3,188	1,245
1962	26,700	68,300	7,085	186,427	31,442	17,029	15,476	3,302	1,307
1963	20,400	81,661	7,150	403,460	47,791	19,122	16,817	3,513	1,417
1964	27,600	90,110	7,410	453,848	60,837	21,469	27,387	3,614	1,549
1965	32,000	111,270	8,567	436,972	85,334	25,466	39,167	3,767	1,578
1966	32,500	173,066	15,891	362,928	124,451	33,323	56,092	3,902	1,695
1967	80,000	207,326	20,053	382,291	274,462	46,157	71,902	4,144 [h]	1,780 [h]
1968	98,000	n.a.	n.a.	434,161	n.a.	n.a.	97,540	4,477 [h]	2,184 [h]
1969	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4,370 [h]	2,232 [h]

New forms of activity have to be found to meet changing needs, and the State must supply the necessary funds to allow them to be developed. There are about 700 general social work agencies operating all over the country at local, regional and provincial levels whose services are available to every citizen. General social work agencies have close ties with the local communities and therefore operate on a purely local scale. This means that social workers must be acquainted with the social and cultural climate and the living conditions in their particular areas. The traditional denominational approach constitutes a real problem in this field. General social work agencies cooperate with other institutions and with the specialized social services to which clients are referred.[*]

Some of the programs of particular interest include:

Telephone Help--There are aid posts throughout the country which people can ring up when in social or spiritual need. Immediate help is given as adequately as possible and, where necessary, callers are directed to persons or organizations concerned with social work, mental health, or welfare to whom they can turn for further assistance.

Home Help--Housewives who are unable to perform their household duties can apply for temporary help to one of the 950-odd home help organizations. The object of these organizations is to maintain or restore normal family life. Where possible, families are expected to pay for the help they receive. If they cannot afford to do so, they can apply to one of the voluntary organizations or claim assistance under the Public Assistance Act. The State provides the funds to meet staff and equipment costs incurred by the home help organizations.

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[*] Social Welfare, *Facts and Figures*, 1970-71, p. 15.

Marriage and Family Guidance Centers--The fifty State-supported marriage and family guidance centers employ specialist teams who give advice on personal relations to clients who either apply to them on their own accord or have been recommended to do so. Preventive work done by the centers includes group counseling on marriage, sex and family matters.

Household, Family and Consumer Guidance Agencies--There are 50 household, family and consumer guidance agencies to which people can apply for advice. They are also financed by the State, the national organizations being entirely State-aided, the local ones receiving grants of 70% of the deficit in their running costs.

2. The Welfare of the Elderly

Ten percent of the Dutch population is over 65. The government's policy with regard to this sector of the population is based on the theory that old people should remain integrated in society for as long as possible. They should not be admitted to old people's homes until it is impossible, even with the aid of the old people's services available in the Netherlands, for them to live on their own any longer. In addition to the general social service agencies, there are a certain number of social services in the Netherlands which were set up specifically to help old people.

Service Centers--The object of the service center is to have a central point where a number of facilities and activities are available for old people living on their own. In 1970 there were 60 service centers. The government aims to increase this number by 30 a year until there are about 350 service centers in all. Each center caters to 600-700 old people. The centers are opened in residential districts and are situated near old people's dwellings. Another possibility is for a center to be part of a multiservice organization including, for instance a library, a district nurse's office, etc. The government may finance up to 80% of the running costs of the centers and may also guarantee loans entered into for the construction of the centers.

Meals on Wheels--A number of towns in the Netherlands have a service that delivers hot meals to old people in their homes. This work is often done by one of the women's voluntary organizations. The municipal authorities provide financial assistance.

Workshops for the Elderly--A number of towns have workshops for those 65 and over where they can work for part of the week or several hours a day.

I. Development Work Among Minority Groups

The government has taken measures to integrate certain minority groups into society without forcing them to forfeit their own identity. These groups include the caravan dwellers, Amboinese (i.e., inhabitants of the island of Ambon), Surinamese, Antilleans and migrant workers. The government's assistance has been in the form of physical improvement of living areas, encouragement of social skills and self-help and the provision of information to help the various groups fit into the community and take part in its activities.

J. Education

In 1968 the State spent 6,250 million guilders ($1,735 million), about 495 guilders ($138) per head on education. Roughly 8% of the national income is spent on education. Ninety-six percent of pupils leaving primary school in 1967 went on to a higher level of education. Primary education and the first two forms of advanced primary education are free.

What particularly distinguishes university education today from that in the previous century is the wide range of social milieus from which the students are recruited. Formerly, a university education was almost exclusively the prerogative of the higher strata of society, but now the middle and lower classes together are in the majority, although the lower classes are still far below that for the two other classes.

The increase in the rate of female enrollment at the university level is not particularly impressive. In 1900 women represented 5% of the total number enrolled; 1920 - 13%; 1930 - 18%; 1967 (the latest figure available) - 18%.

K. Contextual Data

In 1967, 32% of the homes were owned by the occupiers, including 19% of industrial workers, 75% of farmers and 40% of farm workers. The average number of rooms per home was 5.3. Seventy percent of all homes have a bath or shower. Eighty-five percent of all Dutch families have TV's (2.8 million sets); 75% have washing machines; 50% have refrigerators; 67% have cars (2.2 million cars) or 171 cars to every 1,000 inhabitants.

Income Bracket	Number of wage earners as a percentage of the total		
	1950	1960	1966
less than £2,000 a year	39.4	17.0	1.1
from £ 2,000 to £ 4,000 a year	42.2	22.1	4.3
from £ 4,000 to £ 6,000 a year	10.6	27.8	8.0
from £ 6,000 to £ 8,000 a year	3.4	16.8	11.9
from £ 8,000 to £10,000 a year	1.5	6.5	15.2
from £10,000 to £20,000 a year	1.9	7.5	33.3
£20,000 a year and over	0.8	2.3	26.2
Total	100	100	100

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Chapter VIII

SOCIAL WELFARE PROGRAMS IN SWEDEN

By
Esther Adam

SOCIAL WELFARE PROGRAMS IN SWEDEN

The object of this paper is to present factual material on those social welfare programs in Sweden which comprise the greatest portion of the Swedish social welfare budget, i.e., the basic social insurance programs, children's allowances and health insurance. Sweden offers cradle-to-the-grave coverage, and the provisions of her programs are quite complex. To round out the picture, I have also included information on other aspects of their social service system such as unemployment insurance and the social assistance program.

A. National Product

Between 1950 and 1970, the gross national product in volume terms rose an average of 4 percent per year, and in 1971 and 1972 it rose on an average of 1.1 percent. There has been a decrease in the share of consumption in the national product and this is primarily due to a sharp decline in the share of private consumption.* Chart 1 shows the 1970 total and per capita GNP for Sweden and selected countries.

B. Social Welfare Budget

The total social welfare budget accounts for approximately 20 percent of the net national income. The explanation of this high figure as compared to the U.S. is the high percentage of older people that need services and the high social aims of the government. Most social benefits are available to everyone regardless of income--thus the high tax rate in

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*Skandinaviska Enskilda Banken, Some Data About Sweden 1973-74, p. 17

Chart 1

MARKET PRICES

Total US$ 1000 Mill.		Per Capita US$	
USA	974.2	USA	4,760
JAPAN	229.2	SWEDEN	4,350
FEDERAL REPUBLIC OF GERMANY	212.5	CANADA	3,740
FRANCE	160.9	SWITZERLAND	3,650
UNITED KINGDOM	131.6	FEDERAL REPUBLIC OF GERMANY	3,450
ITALY	99.8	DENMARK	3,400
CANADA	80.2	FRANCE	3,170
AUSTRALIA	38.9	NORWAY	3,160
SPAIN	35.0	AUSTRALIA	3,110
SWEDEN	35.0	BELGIUM	2,980
THE NETHERLANDS	34.9	THE NETHERLANDS	2,680
BELGIUM	28.9	UNITED KINGDOM	2,360
MEXICO	27.3*	FINLAND	2,260
SWITZERLAND	22.9	JAPAN	2,220
ARGENTINA	17.4*	ITALY	1,840
DENMARK	16.7	SPAIN	1,040
NORWAY	12.2	ARGENTINA	730*
FINLAND	10.5	MEXICO	580*

Source: Skandinaviska Enskilda Banken, Some Data About Sweden 1973-74, p. 18.

in Sweden. (See comparative Tax Table in the chapter on the Netherlands.) The social welfare budget is primarily funded through the central government. Chart 2 breaks down the expenditures for the entire social welfare budget in 1966, and in addition gives a comparison of social expenditures among the Nordic countries. Note the percentage (44 percent) spent in the area of social insurance. The amount proposed for the 1973-74 social budget amounted to 20,203,076,000 kr.

C. A Measurement of Poverty

The concept of "poverty" as we know it in this country has been discussed ad infinitum, and there are numerous definitions of poverty. In Sweden there is no discussion of "poverty" in government sources. They came close to it when the Ministry of Interior set up a Low Income Commission in 1965. This commission created such a controversy that it was disbanded and its functions spread throughout various existing governmental bodies. This commission stated, however, that one million persons were considered "poor." Their definition of "poor" included adults, young people, and the elderly, who would work if offered a decent wage.*

By determining the number of persons earning below half the median income in Sweden, one can estimate (and it is purely an estimation) the number of poor persons in Sweden. In 1971, for both sexes, (there is a difference between men and women's salaries) the median earned income was 19,300 kr/year; one-half the median income, therefore, is 9,650 kr. In 1971, 1,310,192 persons reported from no earnings to 9,999 kr. per year.

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*Sweden Now, October 1971, p. 5

Chart 2

SOCIAL EXPENDITURE, PERCENTUAL DISTRIBUTION FOR VARIOUS PURPOSES IN 1966

	Denmark	Finland	Iceland	Norway	Sweden
Total social expenditure in millions of crowns	10 283	3 328	2 063	6 418	16 639
Percentage distribution					
1. *Social insurance*	48	40	42	59	44
Sickness and maternity insurance	10	6	7	20	13
Occupational injury insurance	2	3	2	2	1
Unemployment insurance	2	1	—	1	1
Old-age pensions	25	26	25	24	21
Invalidity insurance	9		7	9	4
Widows' pensions	1		1	3	2
Supplementary pensions	—	4	—	—	2
2. *Other economic assistance*	10	20	23	20	12
Child allowance	8	9	12	4	9
Advance allowance	1	—	1	—	—
Social help, etc.	1	3	1	1	1
Rent discounts	—	—	—	—	1
Miscellaneous social expenditure	—	8	—	—	1
3. *Personal care*	42	30	22	15	39
Hospital services, general health and sickness care	29	21	17	13	29
Labour exchanges and labour care	1	—	—	—	1
Child and family care	5	6	5	2	6
Old-age and other care	7	3	—	1	3
4. *Other expenditure*	10	10	13	6	5
Child allowance for taxation purposes	—	3	9	15	—

Source: Nordisk statistisk skriftserie, No. 16. Copenhagen, 1969.

Source: Skandinaviska Banken Quarterly. "The Costs and Financing of Social Welfare in the Nordic Countries," 1970, p. 117.

Of the 1,810,192 persons, 303,120 reported no earned income; 404,116 reported earned income from 1-4,999 kr/year; and 1,102,956 reported earned income from 5,000-9,999 kr/year.*

D. Social Insurance Programs

1. Social Security Programs

The Social Security Programs, or old-age survivors and disability insurance are comprised of two separate programs: The Basic Pension Scheme which is universal in coverage; and the Supplementary Pension Scheme which is based on one's previous earnings. Both of these programs are regulated under the National Insurance Act. Initially, the concept of a pension allowance was begun in 1913 as compared to our initiation of such a program in 1935.

2. Basic Pension: Coverage and Eligibility

This pension scheme is comprehensive-and complex in its benefits; it provides a flat rate and is not income related; and it covers all persons. Nationals of other countries are eligible if covered under the conventions of international social security regulations. To be eligible for the old-age pension under the basic pension, however, all persons must be Swedish residents or registered in the Census between the ages of

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*Kronors per U.S. $1 for selected years:

1960 - 5.180
1963 - 5.200
1966 - 5.180
1969 - 5.170
1972 - 4.748
Jan., 1974 - 4.795

57 and 62. One is entitled to the basic pension at age 67 or earlier, but not before the age of 63. (It is under consideration to lower this age limit.) If the pension is desired before the age of 67, the amount is reduced by 0.6 percent for each month the pension is paid prematurely.* As of July 1972, the basic pension amounted to 7,400 kr. per year for a single pensioner and approximately 12,000 kr. per year for a married couple. This pension is index-adjusted and also adjusted to the general cost of living as of 1957.

In 1966, old-age pensions accounted for 21 percent of the total social expenditure of the 16,639,000,000 kr. spent. The numbers of persons receiving this benefit continue to increase. (As of 1971, 11.9 percent of the population were over 67.) In 1972, one million Swedes drew the old-age pension and 300,000 received an additional pension under the supplementary pensions scheme. The following chart indicates the numbers of persons receiving basic pension benefits:

Chart 3

	Jan. 1960	Jan. 1965	Jan. 1973	Jan. 1975 (Estimated)
Old Age Pensioners (67+)	739,000	827,000	1,012,000	1,058,000
Disability Pensions	143,000	151,000	250,000	265,000
Others	116,000	167,000	221,000	227,000
TOTAL	998,000	1,145,000	1,483,000	1,550,000

Source: Swedish Ministry of Finance, The Swedish Budget 1973-74, p. 49.

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*Social Benefits in Sweden, 1972, p. 18.

3. Additional Benefits Under the Basic Pension Scheme

There are many family pensions provided under this scheme, such as disability pensions, widows' pensions, children's pensions, wives' supplements, children's supplements, disability supplements and municipal housing supplements. The four supplements were formerly means-tested, but under the 1962 amendments only the wives' supplements and the housing supplements are now dependent upon proof of need.

The Disability Pension covers all persons between the ages of 16 and 67 whose ability to work has been reduced by more than half. As of October 1971, this amounted to 6,210 kr. per year for single persons or persons married to non-pensioners under the age of 67. In addition to receiving the disability pension, most of these persons also receive housing allowances. Household work is considered equal to employment on the outside, so that a disabled housewife is also eligible.*

The law appears quite broad in its wording of eligibility requirements for disability benefits, i.e., it is determined by what "can reasonably be expected of (the applicant) in view of his education and previous work, as well as age, living conditions and comparable circumstances."** In January 1971, 183,576 persons received the basic disability pension.

There are many services provided for the disabled which do require a means test, such as allowances for detailed examination of working ability in special test workshops; allowances for rehabilitation training; and financial aid in the form of grants or loans for the starting or continuation of private businesses.

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*Social Benefits in Sweden, 1972, p. 42.

** Albert Rosenthal, The Social Programs of Sweden, 1967, pp. 15-16.

A *Widows' and Children's Pension* is provided for under the Basic Pension Scheme. In October, 1971, 6,210 kr/year was allowed for a full widow's pension and was awarded to women who have children under 16 living at home. This benefit also covers divorced persons and common-law marriages; on remarriage the pension ceases. Children receive a pension of 1,725 kr. per year when one parent is deceased; if both parents are deceased, 2,415 kr. per year. There is no means test for this benefit. In January 1971, 104,340 women received the basic widows' pension; 33,949 children received children's pension in the same month.

4. Supplements Under the Basic Pension Scheme

Pension Supplement. In 1969, the Swedish Parliament ordered an annual increase in national pensions for the following decade for those pensioners receiving insufficient funds under the basic pension plan. Under this plan, a pensioner received a grant of 621 kr. per year (October 1971); however, if the pensioner received more than 1,449 kr. per year under the National Supplementary Scheme, the supplement was reduced by the excess amount.*

Municipal Housing Supplement. As of 1971, this tax-free allowance was paid in addition to the retirement pension. This allowance is regulated by the local municipalities so that the actual allowance varies from community to community.

Another supplement under this scheme is the *Disability Supplement*. This is allowed for disabled persons who are unable to look after themselves and need daily help to perform essential tasks. Like all the

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**Social Benefits in Sweden*, 1972, p. 19.

pensions and supplements under the Basic Pension Scheme, this is available to all.

5. Financing and Administration of the Basic Pension Scheme

The National Basic Pension is paid by the central government with a large part of the supplements and allowances, especially the housing allowances, paid by the local governments. In addition, the local governments are responsible for the provision of personal services. An interesting feature of the Swedish system is the "tax equalization scheme,"* whereby "rich" authorities transfer monies to "poor" authorities. In 1972, 2,000 million kr. was transferred in this way.

Chart 4 shows how the various insurance schemes were financed in 1971. As a means of comparison, in 1960-61 the basic pension scheme cost 2,576 billion kronor.**

Chart 5 indicates the amount spent for social insurance in 1970 by various sources and the percentage spent by these sources on the five branches of social insurance.

The administration of the Basic Pension Program, the Supplementary Pension and the National Health Insurance Programs is under the supervision of the National Social Insurance Board, 28 regional insurance funds or agencies and approximately 600 local insurance offices.

6. The National Supplementary Pension Scheme

Known as ATP, the National Supplementary Pension became effective in 1960 and will be in full operation by 1981. This pension, along with

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*Ake Fors, Social Policy and How It Works, p. 4.

**Rosenthal, *op. cit.*, p. 17.

Chart 4

TRANSFER PAYMENTS FROM THE PUBLIC SECTOR TO THE HOUSEHOLD SECTOR, 1971

(Million Kroner)

	Total Transfer Payments to Households	Financed by:		
		Fees, Etc.	Local Govt.	Central Govt.
Basic Pension Scheme	9,220	2,670	990	5,560
Health Insurance Scheme	5,280	4,460	-	820
Child Allowances	2,152	-	-	2,152
Supplementary Pension Scheme	1,720	*1,720	-	-
Unemployment Benefit Scheme	318	-	-	318
Other Transfers to Households	5,910	250	3,270	2,390
TOTAL	24,600	9,100	4,260	11,240

*Excluding payments to private organizations, etc., and other insurances than those specified.

Source: The Swedish Budget, 1973-74, p. 60.

the Basic Pension is paid to all persons born after 1896; however, it differs from the Basic Pension in that it is based on employment. If an individual is paid the full pension under this scheme along with the Basic Pension, the combined pension will amount to two-thirds of the average yearly income earned during the pensioner's fifteen highest-paid years. Annual income above US $9,000 is not counted in determining the pension; however only 5 percent of the population earns above this amount. The premiums for ATP are paid by the employers, and self-employed persons pay their own premiums.* The employer's contributions are based on the average number of annual workers in the company. It is the type of system that collects the monies each year needed for the pensions for

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*Skandinaviska Enskilda Banken, Some Data About Sweden 1973-74. Stockholm, 1973, p. 91.

Chart 5

APPORTIONMENT OF COST ON THE FIVE BRANCHES OF SOCIAL INSURANCE IN 1970

(Thousand Kronor)

	State grants	Municipal grants	Employers' contributions	Contributions from insured people	Other income (interest, etc.)	Total
Sickness insurance	564,962	–	2,433,104	1,813,520	76,252	4,887,838
Occupational injury insurance[1]	8,674	–	198,213	–	48,203	255,090
Unemployment insurance	311,098	4,582	–	102,457	40,803	458,940
National basic pensions	4,705,555	848,578	–	2,293,900	69,034	7,917,067
General supplementary pensions	–	–	5,759,969	339,821	2,259,343	8,359,133
		Apportionment %				
Sickness insurance	11,6	–	49,8	37,1	1,5	100
Occupational injury insurance[1]	3,4	–	77,7	–	18,9	100
Unemployment insurance	67,8	1,0	–	22,3	8,9	100
National basic pensions	59,4	10,7	–	29,0	0,9	100
General supplementary pensions	–	–	68,9	4,1	27,0	100

[1] Inclu. employers' administration contribution.

Source: Cost and Financing of the Social Services in Sweden in 1970., p. 9.

that year. For 1972, money was collected that provided a buffer fund amounting to 50,000 million kr.*

Like the Basic Pension Scheme, ATP provides retirement (and early retirement benefits), disability and survivors' benefits (family and children's pensions); it is practically universal in coverage; it is compulsory; it is based on employers' contributions in contrast to the

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*Fors, Ake., op. cit., p. 16.

Basic Pension which is based partially on employees' contributions; and, like the Basic Pension, it is related to the cost of living. As with our own social security benefits there are many qualifications and stipulations in determining eligibility.* The total payments under ATP in 1963 amounted to $7,100,000 or 35,500,000 kr. and in 1971, 1,720 million kr.

7. Retirement or Old Age Pension

This ATP pension becomes payable at age 67 or earlier if the person requests it. In order to receive any pension at all under ATP one must have worked at least three years; for a full pension one must work 30 years. For those that have worked less than 30 years, one-thirtieth per year is deducted to calculate the pension. Three interesting features of this pension are: (1) the pension amounts to 60 percent of the average pension-bearing income** for the best 15 years of employment; (2) a person may accumulate points towards the pension under certain circumstances even if he is unemployed or ill; and (3) one can still work and receive the pension without being penalized--which contrasts with the U.S. system. In 1963, approximately 24,000 retirement pensions were issued compared to approximately 300,000 in 1972. The increase of retirement pensions is due partly to the increase in the elderly population and to the increasing numbers of persons requesting an early retirement pension. It is proposed that by 1980 a person may receive a full pension after having worked only 20 years.

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*Social Benefits in Sweden, 1972, pp. 63-70 ; and Rosenthal, op.cit., p. 26.

**For definition of pension-bearing income see Social Benefits in Sweden, 1972, p. 6.

8. Disability Pension

In order to qualify for this pension under ATP, one's capacity to work must be reduced permanently by not less than half; pension points must have been earned for a total of not less than three years; and the person must be under the age of 67. The full disability pension amounts to the same as the retirement pension which a person would receive at the age of 67.* In 1963, this pension was awarded to 7,650 persons; and in 1972, 115,898 pensions were awarded. The latter figure includes those receiving temporary disability grants, i.e., sickness benefits.

9. Survivors' or Family Pension

Generally speaking, upon a man's death, if he was in receipt of a supplementary disability or retirement pension or had qualified for such a pension at the time of death, his widow and children would be entitled to the family pension. In addition, a child is entitled to a family pension if his mother dies; there is no widower's pension. In 1963, 16,550 surviving dependents received a survivor's pension** and in 1972, approximately 93,000 were awarded.***

E. Children's Allowances

The main support for families with children is in the form of children's allowances. As of January 1973, this amounted to 1,320 kr. per year for each child under 16. In addition to this allowance, almost half of Swedish families with children receive a state housing allowance.

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*Social Benefits in Sweden, p. 67

**Rosenthal, op. cit., p. 25.

***Statistical Abstract of Sweden 1972, Stockholm: Central Bureau of Statistics, p. 262.

Children's allowances account for the second largest expenditure of the central government's social welfare budget. In 1971, 2,152 million kr. were spent, and it is estimated that for 1973-1974, this portion of the budget would amount to 2,395 million kr.*

The original legislation covering children's allowances was enacted in 1948. A basic premise underlying this legislation was the recognition of society's responsibility for the burden of raising children. With the introduction of children's allowances, the tax deduction for children was eliminated; as of 1972, France, Great Britain, West Germany and Canada had a combination of children's allowances and tax deduction policies. Table 1 in the chapter on France gives a comparison of the structure of children's allowance programs for these countries, Sweden and the U.S.

The Swedish system of children's allowances has been changed infrequently; it has, however, kept the allowances ahead of the consumer price index each year since 1952.** Note in Chart 6 that Sweden ranks high in terms of benefits as compared to Canada, Great Britain and West Germany.

It seems that, traditionally, when social scientists discuss the pros and cons of providing children's allowances, their discussions inevitably turn to the question of the influence of these allowances on the birth rate. One source has studied this question*** and has found no clear relationship between the two.

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*Swedish Budget 1973/74, p. 60.

**Leif Haanes-Olsen, "Children's Allowances: Their Size and Structure in Five Countries," Social Security Bulletin, May, 1972, p. 21.

***Ibid., p. 26.

Chart 6

CHILDREN'S ALLOWANCES AS PERCENT OF AVERAGE MONTHLY EARNINGS IN MANUFACTURING, BY SIZE OF FAMILY, FIVE COUNTRIES, 1969

COUNTRY	NUMBER OF CHILDREN				
	ONE	TWO	THREE	FOUR	FIVE
CANADA[1]	1.3	2.5	3.8	5.0	6.3
FRANCE[2]	(3)	9.8	22.8	36.8	50.8
SWEDEN[4]	5.7	11.4	17.0	22.7	28.4
UNITED KINGDOM[5]	-	4.5	9.5	14.6	19.6
WEST GERMANY[6]	-	[7]2.8	5.5	12.0	19.7

[1] Percentages relate to benefits for children under age 10 and are based on average weekly wages in January-June 1969. For children aged 10, 15, add 0.4 percentage points; for children aged 16-17, add 0.9 percentage points.

[2] Percentages overstated to the extent that 1969 benefit rates are applied to 1968 average earnings. For families with more than 1 child: add 10.8 if 1 or more of the children are under age 2; 8.6 if there are 2 dependent children aged 2 or older; and 10.8 if there are three or more dependent children regardless of age. In addition, add 3.6 for each dependent child aged 10-14 and 6.0 for each dependent child aged 15 or older.

[3] Percentage is 10.8 for child under age 2; it is 4.3 for child aged 2 or older.

[4] Percentages overstated to the extent that expected 1970 benefit rates are applied to average earnings in January-June 1969.

[5] Based on average weekly earnings as reported in April 1969. Income data for men and women are reported separately; they have therefore been weighted on the basis of the number of men and women reported in total employment to obtain comparability with data for other countries.

[6] Percentages overstated to the extent that 1969 benefit rates are applied to 1968 average earnings.

[7] Second child eligible for basic allowance if family earnings are less than 7,800 DM a year; otherwise, allowances start with third child.

Source: The Labour Gazette, December 1969, table C-6, p. 771; France and Germany--Bureau of Labor Statistics, U.S. Department of Labor; Sweden--Allman Manadsstatistikk, 1968-9; United Kingdom--Monthly Digest of Statistics, December 1969, table 15, p. 17, and Employment and Productivity Gazette, January 1970, table 122, p. 75.

SOURCE: Haanes-Olsen, Leif, "Children's Allowances: Their Size and Structure in Five Countries," Social Security Bulletin, May, 1972, p. 23.

F. Health

Life expectancy is often a measure of the quality of health in a country. Note the very low infant mortality rate of Sweden in Chart 7. As of 1973, life expectancy in Sweden for males was 71.8 and for women 76.8. Sweden appears to have one of the highest life expectancies in the world.

Chart 7

Country	Death of Infants under One Year of Age Per 1,000 of all Live Births (1969)
Mexico	65.7
Australia	17.7
Japan	15.3
Spain	29.8
The Netherlands	13.1
USA	20.8
Italy	30.3
France	16.4
United Kingdom	18.6
Sweden	13.0
Federal Republic of Germany	23.2

Source: Some Data About Sweden, p. 6.

1. Health Insurance

Swedish medical care has undergone numerous reforms in recent decades. In 1955, national public health insurance was introduced. In 1962, with the passage of the National Insurance Act, this insurance program was integrated with the other insurance programs. The previous system of voluntary medical care had excluded persons, who for reasons of disability or injury urgently needed protection from loss of income due to illness. Generally speaking, the existing program has the following characteristics: it is universal in coverage; it is compulsory; it is comprehensive in its benefits; it is contributory and is income-related in that it has graduated premiums and benefits.*

Sweden is divided into seven medical care regions, each with an average of slightly over a million inhabitants. This system is designed to prevent expensive duplication of services which might lack a sufficient population base. Of special interest is the fact that separate mental hospitals are no longer being built; instead, psychiatric services are being merged with the regular hospital system. The number of nursing homes, as in the U.S., has been increasing over the years.

2. Benefits

All insured persons are reimbursed for doctors' services and there is a uniform rate that applies to the public out-patient services. As of January, 1973, the charges for visiting a state doctor in surgery were 12 kr. and for a home visit 20 kr. Theoretically, a private physician may charge any fee, but the insurance program has set up a fee schedule so that the patient is reimbursed according to the fee schedule, regardless of what the doctor charges. Usually, the reimbursement is three-fourths of the amount specified in the fee schedule for the care received. Reimbursement or exemption of fees is also available for the costs of other services such as travel, pharmaceutical items, convalescent care, physiotheraphy, hospital care and nursing homes.

As of January 1974, a national dental insurance scheme came into effect, so that half the cost of dental treatment will be refunded. In the 1973-74 budget, it was proposed that free dental care be provided for persons under 17 and those over 17 should receive care at 50 percent of the cost.

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*Rosenthal, op. cit., p. 37.

3. Sickness and Maternity Benefits

Sickness benefits are paid for income lost due to illness at the rate of 80 percent of one's income up to an annual income of 39,000 kronor. In the 1973-74 budget, it was proposed that the benefits cover 90 percent of one's income. In terms of maternity benefits, there is included a cash sum of 1,080 kronor to all mothers as of January 1973.

The lowest sickness benefit paid is 6 kr. per day (as of 1973) which is called the basic sickness benefit, Payments made in excess of this sum are made under the supplementary sickness benefit with the maximum payment amounting to 52 kr. per day. This is tax free, and in principle the length of time one is eligible to receive this allowance is unlimited. A full sickness benefit is paid when working capacity is completely reduced; half the sickness benefit is paid when working capacity is reduced by 50 percent. In addition to the sickness allowance, there is a family allowance which is paid in connection with this sickness allowance. It is universal in coverage, and as of June 1971, it amounted to 1 kr. per day for one or two children and 2 kr. per day for three or four children.

4. Financing of the Health Insurance Plan

Approximately 8 percent of Sweden's gross national product is used for public health and medical care. Of this, the greatest proportion goes toward in-patient care. Financing comes from three sources: the insured, employers, and grants from the central government. The following chart shows the distribution of income in 1973 from those sources in millions of kronors.

Chart 8

FEES FROM THOSE INSURED	FEES FROM EMPLOYERS	GRANTS FROM CENTRAL GOVERNMENT (TAX SUPPORT)	TOTAL COST
1,950	2,940	860	5,750

Source: The Swedish Budget 1973-74, p. 51.

G. Social Assistance

This program is perhaps the one most equivalent to our public assistance program and was initiated in 1847. The regulations now in effect were set up under the 1957 law which gave the impetus toward the provision of cash assistance (means-tested) rather than in-kind assistance. It also substituted the terms "social help" or "social assistance" for "poor relief." It is granted to those not eligible for other government help. Another change as a result of the 1957 law was the provision that the husband was no longer solely responsible for the wife, but, that the wife was also responsible for the husband. In addition, the wife was allowed to establish her own domicility rights separate from her husband.[*]

In 1970 Stockholm introduced another change in this program. The city established what is known as a "social wage." A standardized budget was established based on basic norms for various family types. These norms, like the other income programs in Sweden, are adjusted according to the changes in consumer prices. Other localities followed Stockholm's lead and developed a similar system for public assistance.[**]

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[*] Rosenthal, op. cit., pp. 72-74.

[**] Martin Rein, "Income Maintenance Policy in Sweden, Britain and France," Current History, August 1973, p. 89.

The "social wage" in Stockholm includes money for numerous items (except rent) ranging from food to daily newspapers. It was hoped that this flat grant would eliminate investigating a family's specific needs and would also motivate people to pay their own bills. The actual grant in 1970 consisted of $170 per month for a couple and $102 for a single person, plus additional money for children. It appears that much controversy occurred over this system--especially the concern that many low-wage earners would quit their jobs, thus becoming eligible for the benefits under this program. This was not the case. Only about 2 percent of Stockholm's population received such benefits.*

I. Social Assistance Statistics

In 1960, there was a total of 301,962 persons receiving social assistance, amounting to 4 percent of the population. This was a reduction of about 25,000 from the year before. Of the total receiving social assistance, 259,700 received cash assistance. In 1962, the number of recipients amounted to 281,573 or 3.7 percent of the population with expenditures amounting to 129,874,000 kr. The general trend from 1954-64 was a gradual downward trend in the numbers receiving social assistance. As of October 1963, the numbers of persons receiving assistance dropped by almost half--which may be attributed to the introduction of the Supplementary Pension in 1963, the increased amounts of the Basic Pension, the high rate of employment and the intensive rehabilitation efforts of the welfare department.**

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*Ruth Link, "Society's Profit or Loss?" Sweden Now, Oct. 1971, pp. 43-44.

**Rosenthal, op. cit., pp. 74-76

During the sixties, social assistance expenditures rose steadily in absolute figures from 130 million kr. in 1964 to 359 million kr. in 1970. However, its proportion of the total social welfare budget diminished. During the same period, the percentage of persons rose from 3.5 to 5.6 percent of the total population. In the government reports, it is pointed out that those receiving assistance do so for short periods of time. In terms of the general characteristics of those receiving assistance, they are, as expected, the unemploye[illegible]e sick and families with children. An interesting trend in the last ten years has been the increasing numbers of young persons receiving assistance,* which might be due to the increase in the percentage of young persons entering the work force instead of pursuing higher education and their ensuing unemployability (see Chart 10 and the discussion under Education below).

H. Employment and Unemployment in the Labor Market

During 1971 and for a greater part of 1972, there was a decrease in the demand for labor in the domestic and exporting industries. During the second half of 1972, a demand rose for skilled labor, primarily in the exporting industries. The effect then became one of increased difficulty in obtaining skilled workers. An interesting phenomenon in terms of labor market supply has been the fact that in 1973 emigration outstripped immigration: there was an emigration surplus of 6,000 during the period January-June 1973. There have also been fluctuations in the numbers of employed men and women as the next chart indicates. The numbers of women in the labor force reflect an increasing trend of married women entering the labor force.[*]

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*Fors, op. cit., p. 30.

Chart 9

PERSONS IN EMPLOYMENT - LABOUR FORCE SURVEYS
(Quarterly Averages, 1000s)

Total	1970	1971	1972	1973
1st qtr.	3,769	3,812	3,808	3,813
2nd qtr.	3,857	3,884	3,877	3,863
3rd qtr.	3,909	3,894	3,899	
4th qtr.	3,880	3,851	3,866	
MEN				
1st qtr.	2,290	2,285	2,262	2,260
2nd qtr.	2,336	2,327	2,252	2,289
3rd qtr.	3,383	2,348	2,329	
4th qtr.	2,333	2,297	2,290	
WOMEN				
1st qtr.	1,479	1,527	1,546	1,553
2nd qtr.	1,522	1,557	1,577	1,574
3rd qtr.	1,526	1,546	1,569	
4th qtr.	1,547	1,554	1,576	

Source: National Labour Market Board, Labour Market Policy 1974-75, Stockholm, Sweden, 1973, p. 3.

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[*] National Labour Market Board, Labour Market Policy 1974-75, Stockholm, Sweden, 1973, p. 3.

Although the preceding chart does not reflect this, it is interesting to note that, as in many Western countries, more than half of the civilian employees are involved in the service sector.*

Chart 10 indicates unemployment rates over a period of time for both men and women of various age groups. The over-all unemployment rate in 1972 would have been 4 percent if one included the numbers of persons involved in retraining and public works programs. Incidentally, during the second half of 1973, the unemployment rate reached an all-time postwar high.**

Chart 10

RELATIVE UNEMPLOYMENT RATES IN VARIOUS AGE GROUPS
LABOUR FORCE SURVEYS

		16--24 years		25—54 years		55--74 years		16—74 years	of which	
		Men	Women	Men	Women	Men	Women	Total	Men	Women
1964		2.8	3.3	1.0	1.5	1.6	0.8	1.6	1.4	1.8
1965		1.4	3.4	0.6	1.4	1.1	0.7	1.2	0.8	1.8
1966		2.3	3.3	0.9	1.9	1.6	[illegible]	1.6	1.3	2.0
1967		3.5	4.3	1.4	1.8	2.3	1.5	2.1	2.0	2.3
1968		3.7	4.3	1.7	1.6	2.7	1.3	2.2	2.3	2.2
1969		3.0	3.8	1.3	1.6	2.6	1.0	1.9	1.8	2.0
1970		2.5	3.3	0.9	1.3	1.8	1.5	1.5	1.3	1.8
1971		4.8	5.4	1.7	2.0	2.7	2.6	2.5	2.4	2.8
1972	1st qtr	7.0	5.6	2.3	2.4	3.2	2.5	3.1	3.2	3.0
	2nd qtr	4.2	5.2	1.7	1.9	2.6	2.2	2.4	2.3	2.6
	3rd qtr	5.2	7.0	1.5	2.3	2.2	2.1	2.6	2.3	3.2
	4th qtr	5.1	6.8	1.8	2.3	2.3	1.8	2.7	2.4	3.2
1973	1st qtr	5.8	5.8	2.3	2.5	2.9	2.6	3.0	3.0	3.1
	2nd qtr	4.7	4.0	1.6	1.7	2.1	2.2	2.2	2.2	2.2

Source: National Labour Market Board, Labour Market Policy 1974-75, p. 8.

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*Constance Sorrentino and Joyanna Moy, "Unemployment in the United States and Eight Foreign Countries," Monthly Labor Review, January 1974, p. 49.

**Ibid., p. 49.

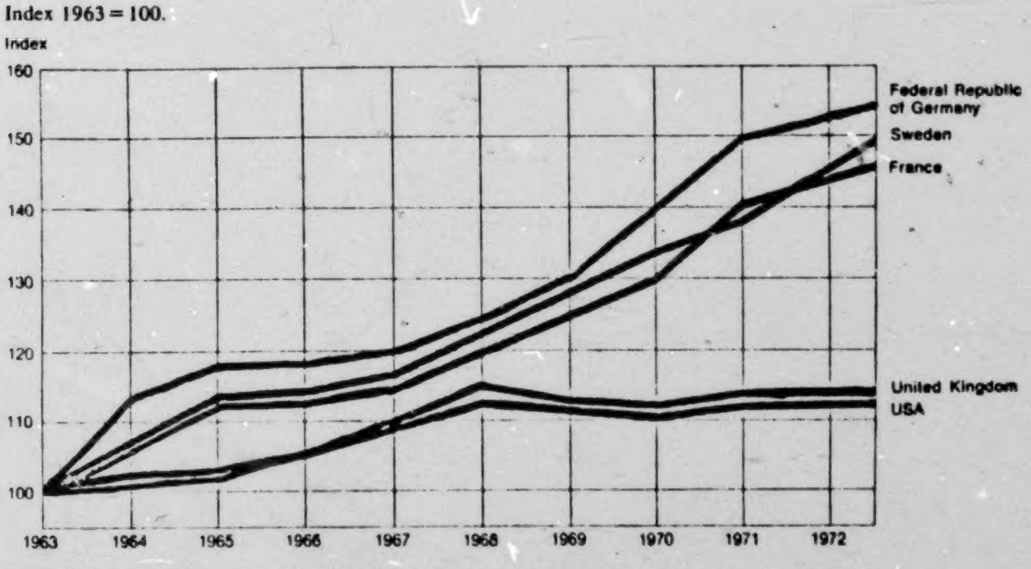
I. Workers and Wages--Some Facts

The Swedes have the highest wages in Europe. Although they are not as high as those in the United States and Canada, the wage increases have been more rapid and are fast approaching the United States and Canada. Approximately 90 percent of all blue collar workers belong to unions compared to the 27.9 percent (non-agricultural workers) in the United States. And, since 1965, all civil servants--with few exceptions--have bargaining rights, including the right to strike.*

This next chart compares rates of increases in real wages for industrial workers in several countries.

Chart 11

RATES OF INCREASES IN REAL WAGES FOR INDUSTRIAL WORKERS



Source: Some Data About Sweden 1973-74, p. 16.

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*Some Data About Sweden 1973-74, p. 15.

2. Unemployment Assistance

This assistance is universal in coverage for members of unemployment benefit societies. For non-insured persons, a means test is required. In both cases, for insured and uninsured, the claimant must apply for work at the employment exchange.

Given the regulatory nature of the Swedish system, it is interesting to note that this is the only voluntary system. It is subsidized by the government and supervised by the recognized unemployment insurance societies.* As of January 1973, the benefits ranged from 18 kr. to 60 kr. with a supplemental benefit of 2 kr. per day per child. As of January 1974, the unemployment insurance will offer greater coverage but will be subject to income tax for both insured and non-insured persons.

3. Government Policies Regarding Unemployment

During 1971 the government increased its relief work projects, as one means of coping with the unemployment problem. During 1972-1973, 32,900 persons (an increase of 1,600 over 1971-1972) were involved in such projects. As of mid-April 1973, 47,800 were engaged in work projects. The costs of these programs were for 1971-72, 1,853 million kr., and for 1972-73, 1,600 million kr.

Another method of dealing with unemployment during these periods was the issuing of state orders for increased housing construction and labor market training, this involved some 55,000 persons as of April 1973.**

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*Although coverage is limited to employees only, employers are permitted to set up unemployment insurance societies for their members.

**Labour Market Policy 1974-75, p. 15.

[illegible] Housing

The National Housing Board oversees the granting of housing loans that are needed for 90 percent of all housing construction. In addition, the numerous municipalities under the law have rights and duties in the area of housing. Housing is a "problem" in Sweden: like many Western industrial countries there has been an increased migration of people from rural to urban areas. One hundred years ago, 90 percent of the Swedes lived in rural areas; today 80 percent of their 8,000,000 people live in urban areas.

Due in part to the national family housing allowances for low-income families, Sweden has no large slum areas. They have experienced substandard housing; in fact, in 1965 the urban areas contained half a million dwellings which did not meet the housing standards. At that point, the government began a long-range housing goal of adding 100,000 housing units per year. A HUD study indicated that examples of minority poverty pockets are beginning to emerge in Sweden and that there is a potential for socio-economic tensions. Nevertheless, the overall impression of the Swedish method of providing an equal level of services throughout the country is that it is more "systematic, thorough and comprehensive than in the U.S."**

I. Housing Allowances

The basic aim of the housing allowance is to provide the means for better housing for those who can't afford a decent home, i.e., low-income families. The allowance consists of a basic amount per child and varies with income, number of children and number of rooms. The administration of this allowance appears simpler than many of the other Swedish systems, and the cost of administering it (5 percent) is "considerably lower than estimated costs of administering a housing allowance program in the United States."* An interesting aspect of the program is that the families are not required to spend this money on housing. Yet, the incentive is there to improve on their housing, since the benefits increase as the number of rooms increase and a maximum amount is granted if certain standard housing codes are met. In FY 1971-72, the total amount spent for housing allowances amounted to 460 million kr.

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*U.S. Department of Housing and Urban Development. Housing and Urban Development in Sweden, 1972.

**Ibid., p. 31.

J. Education--Some Basic Facts

Education is free in Sweden and is compulsory for those between the ages of 7-17. Free school meals, books and supplies are allowed for those receiving compulsory education. There are additional allowances such as traveling costs and lodging costs, which are dependent upon the circumstances of the student.

According to one source nearly all Swedes--99 percent--are literate. Over one decade there was a rapid increase of students attending institutions of higher learning: from 22,600 in 1957-58 to 114,800 in 1967-68.** In 1972, however, a contrasting trend seems to be emerging, with a greater percentage of young people than in the previous year entering the labor market instead of pursuing higher education. Contrary to my expectations of the Swedish pre-school program, only 5 percent of the 1-6 year olds attend nursery schools.

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*Ibid., p. 33.

**World Mark Encyclopedia, v. 5, 1971, p. 272.

Contextual Data

Population Density:	18 persons per km. (compared to Netherlands--319 persons/km; Germany--240/km; France--93/km; Great Britian--228/km; United States--22/km)
Population:	As of December 31, 1971: 8,127,396
Ethnic Composition:	Basically a homogeneous country; of the minority groups, most are Finns.
Tax Rate on Sales Items:	1971: 16%
Average Tax Rate:	1973: 46%
Consumer Price Indices:	See Chart Below

HOURS ACTUALLY WORKED WEEKLY PER WORKER IN MANUFACTURING

	1970	1971
Norway	34.7	34.2
Sweden	34.8	33.4
Finland	38.3	38.5
USA 1)	39.8	39.9
United Kingdom 2)	42.6	41.7
Federal Republic of Germany 1)	43.8	43.0
Switzerland 1)	44.7	44.6
France	44.8	44.5

1) Hours paid for, including vacations and other absence paid for.

2) Men and women.

Source: Skandinaviska Enskilda Banken, Some Data About Sweden 1973-74. Stockholm: Sweden, 1973, p. 15.

CONSUMER PRICE INDICES

(1949 = 100)

	1968	1969	1970	1971
Food	252	261	283	309
Alcoholic Drinks and Tobacco	253	254	272	299
Housing	232	253	278	283
Fuel and Light	161	154	164	181
Clothing and Footwear	157	157	161	175
Furniture and Household Utensils	157	166	171	188
Miscellaneous	214	222	235	251
All Items	215	221	236	254

Source: The Europa Year Book 1973, v. 1, p. 1228.

DISTRIBUTION OF PRIVATE EXPENDITURE 1950-1970
(Percent)

	1950	1960	1970
Food	28	26	25
Tobacco and alcoholic beverages	6	7	7
Housing, fuel and light	21	23	21
Clothing	14	10	8
Motorcars	5	8	10
Travel	4	3	3
Household appliances and furniture	7	7	7
Other expenditure including medical care and recreation	14	16	19
TOTAL	100	100	100

OWNERSHIP OF CONSUMER DURABLES IN HOUSEHOLDS BASED ON PUBLIC SURVEYS, 1969
(Percent)

Television sets	86
Hair dryers	43
Washing machines	41
Have access to washing machine but do not own	44
Freezers	40
Have access to freezers but do not own	7
Record players	29
Tape recorders	24
Combination radio-record players	21
Ironing machines	6
Dish washers	5
Electric grills	4

SOME INDICATORS OF ECONOMIC STANDARD, 1970
(Per 1,000 inhabitants)

	Passenger Cars	Television Sets	Telephones	Daily newspaper circulation*)	Students	Doctors
Canada	314	294	452	206	27	14
France	250	201	172	243	12	13
Federal Republic of Germany	227	272	225	331	7	17
Italy	182	181	171	127	7	11
Japan	84	215	251	503	16	11
The Netherlands	192	223	260	307	16	12
Norway	207	220	294	388	13	15
Sweden	286	412	537	528	14	13
United Kingdom	215	293	267	488	6	12
USA	438	412	587	305	39	15

Source: Skandinaviska Enskilda Banken, Some Data About Sweden, 1973-74, p. 74.

L. Addendum

Most of the preceding information was culled from government sources. I would like to add an evaluation of sorts to the facts presented. I had hoped to find poll material at the Swedish Information Office regarding the Swedes' attitudes towards their welfare programs, but this does not appear to exist. There have been numerous articles in the past year that have taken various second looks at the system. The headlines have indicated a similar theme: "Scandinavia Tightens Hold on Welfare Costs," "That Swedish Consensus Grows a bit Thin at the Edges," "People Even Get Tired of Prosperity," "Sweden's Socialists on the Defensive," and "The Rich and Unhappy Swedes--What's Troubling Them."

I did find mention of a poll regarding the Swedes' major concerns in late 1973: 41 percent had as their major concern unemployment; 20 percent crime; 17 percent taxes; and 3 percent work environment.* The concern regarding unemployment is reflected in the economic sector, which has been experiencing a slowdown in economic growth. While this is happening, people are beginning to question the policies of the Social Democratic party, which has had a 41-year rule in Sweden.

One source** took a look at the welfare system through the eyes of government leaders, other political figures, civil servants and political observers in Sweden. The following is a rather candid view expressed by Premier Olaf Palme in a N.Y. Times article:

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*Kelman, Steven, "Sweden's Socialists on the Defensive," The New Leader, October 15, 1973, p. 8.

**Kamm, Henry, "Scandinavia Tightens Hold on Welfare Costs," N.Y. Times, March 22, 1974, p. 3.

> The crisis is deeper than the welfare state and possibly more dangerous, It is the hangover of the industrial society. We have all doubled production in the last 20 years. The benefits are material, and we are more free and more secure. Company directors, politicians, trade union officials all rode on that wave. Now they see there's a price to be paid: inflation, structural changes in the economy. People shift here and there. (emphasis is mine) The gaps between the groups are increasing. People begin worrying what's going to happen to them. There is a sense of fear....There are wars, alienation, multinational companies, things beyond people's immediate influence, redundancy. This has created instability. I'm rather worried looking around Europe. The stock of democracy is in decline....Society is about homes, people, their loneliness and their need of community with others. The trouble is we have still too little welfare permeating society. We must go more deeply with the welfare state.

In the same article,Mogens Glistrup, a tax lawyer and opponent of Mr. Palme, offered an opposing view:

> We have had decades of more and more welfare. We have completed the development. Now 90 to 95 percent of the population can create for itself an acceptable growth in the standard of living. But as the need for the welfare state goes down, the bureaucracy increases and the tax rate goes up a couple of per cent every year.

There is no doubt that Sweden has its critics both from within and without the system. Regardless, Sweden appears to be insuring a decent income for all.